

Hydro One Networks Inc.

7th Floor, South Tower
483 Bay Street
Toronto, Ontario M5G 2P5
www.HydroOne.com

Tel: (416) 345-6219
Cell: (647) 282-2597
Allan.Cowan@HydroOne.com

Allan Cowan

Director of Major Applications
Regulatory Affairs



BY COURIER

October 30, 2015

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON, M4P 1E4

Dear Ms. Walli,

EB-2015-0026 – B2M LP Cost of Service Application – Updated Evidence

In support of B2M LP's Cost of Service Application that was originally filed with the Board on March 30, 2015, Exhibit A-15-2 (Curriculum Vitae) has been updated and was submitted in the Oral Hearing today.

A complete version of the merged evidence from both the March 30th and today's filing has also been submitted using Ontario Energy Board's Regulatory Electronic Submission System

Sincerely,

ORIGINAL SIGNED BY ALLAN COWAN

Allan Cowan

Hydro One Networks Inc.

7th Floor, South Tower
483 Bay Street
Toronto, Ontario M5G 2P5
www.HydroOne.com

Tel: (416) 345-5240
Fax: (416) 345-5870
Oded.Hubert@HydroOne.com

Oded Hubert

Vice President,
Regulatory Affairs



BY COURIER

June 29, 2015

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON
M4P 1E4

Dear Ms. Walli,

EB-2015-0026 – B2M Limited Partnership Transmission Cost of Service Application – Additional and Updated Evidence and Responses to Interrogatories

In support of B2M Limited Partnership's (B2M LP) five year Cost of Service Application that was originally filed with the Board on March 30, 2015 additional and updated evidence and interrogatory responses have been submitted using the Ontario Energy Board's Regulatory Electronic Submission System. A complete version of the merged evidence from both the March 30th and today's filing has also been submitted.

The additional evidence includes:

- Exhibit A, Tab 2, Schedule 1, Attachment 1; and
- Exhibit C2, Tab 3, Schedule 2, 2014 Income Tax. Return

Prefiled evidence has been updated to reflect the impact of the placement of a 5-year debt issue which has reduced the revenue requirement request for B2M LP for the 2015-2019 test years.

The updated evidence includes:

- Exhibit A, Tab 2, Schedule 1;
- Exhibit A, Tab 3, Schedule 1;
- Exhibit A, Tab 3, Schedule 2;
- Exhibit B1, Tab 1, Schedule 1;
- Exhibit B2, Tab 1, Schedule 1;

- Exhibit B2, Tab 1, Schedule 2;
- Exhibit E1, Tab 1, Schedule 1;
- Exhibit E2, Tab 1, Schedule 1;
- Exhibit F1, Tab 1, Schedule 1;
- Exhibit G1, Tab 1, Schedule 1;
- Exhibit G1, Tab 2, Schedule 1;
- Exhibit G2, Tab 2, Schedule 1; and
- Exhibit G2, Tab 2, Schedule 2.

Interrogatory responses to Ontario Energy Board staff and Canadian Manufacturers & Exporters are also included in this submission.

Two (2) hard copies are attached. In addition, one copy of the complete written evidence will be provided for public access at the B2M LP office.

Given the nature and the number of Interrogatory Questions and the fact that there are only 2 intervenors, B2M LP requests the Board proceed with this application by way of a written process.

Sincerely,

Oded Hubert

Attach.

cc: Don Rogers, Rogers Partners LLP
Anita Varjadic, Rogers Partners LLP
Mike Penstone, B2M GP Inc.
Colin Salter, Pape Salter Teillet LLP
Intervenors (electronic)

Hydro One Networks Inc.

7th Floor, South Tower
483 Bay Street
Toronto, Ontario M5G 2P5
www.HydroOne.com

Tel: (416) 345-5700
Fax: (416) 345-5870
Cell: (416) 258-9383
Susan.E.Frank@HydroOne.com

Susan Frank

Vice President and Chief Regulatory Officer
Regulatory Affairs



BY COURIER

March 30, 2015

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON
M4P 1E4

Dear Ms. Walli:

EB-2015-0026 – B2M LP Cost of Service Application – Application and Evidence

On behalf of B2M LP, I am attaching two (2) copies of the B2M LP Cost of Service Application and Evidence in support of a proposed transmission revenue requirement to be implemented on January 1, 2015. This application covers the years 2015 – 2019.

An electronic copy of the complete application has been filed using the Board's Regulatory Electronic Submission System (RESS) and the proof of successful submission slip is attached.

B2M LP's contacts for service of documents associated with this Application are listed in Exhibit A, Tab 2, Schedule 1.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank

EXHIBIT LIST

1
2

Exhibit	Tab	Schedule	Attachment	Contents
A				Administration
A	1	1		Exhibit List
	2	1		Application
			Att. 1	Certification of Evidence
	3	1		Summary of Application
		2		Financial Summary
	4	1		Summary of Application Framework
	5	1		Summary of Transmission Business
	6	1		Notices of Motion
	7	1		Compliance with OEB Filing Requirements for Electricity Transmitters
	8	1		Transmission System Map
			Att. 1	Transmission System Map
	9	1		Description of the Partnership
			Att. 1	Organization Charts
	10	1		Affiliate Service Agreements
			Att. 1	Agreement for B2M LP Operations and Management Services
	11	1		Financial Statements – Historic Year (2014)
	11	2		Pro Forma Statements of Income for Historic Year (2014) and the Test Years (2015 to 2019)

Exhibit	Tab	Schedule	Attachment	Contents
A	12	1		Summary of Board Directives and Undertakings from Previous Proceedings
	13	1		Procedural Orders/Correspondence/Notices
	14	1		Draft Issues List
	15	1		List of Witnesses
		2		Curriculae Vitae
B				Cost of Capital
B1				Written Direct
	1	1		Cost of Capital
B2				Supporting Schedules
	1	1		Debt and Equity Summary
		2		Cost of Long-Term Debt Capital
C				Cost of Service
C1				Written Direct
	1	1		Cost of Service Summary
	2	1		Summary of OM&A Expenditures
	3	1		Common Corporate Costs, Cost Allocation Methodology
			Att. 1	Review of Common Corporate Cost Allocation
			Att. 2	External Expert Evidence Statement
	4	1		Depreciation and Amortization Expenses
			Att. 1	Foster Associates Depreciation Study
			Att. 2	External Expert Evidence Statement
	5	1		Payments in Lieu of Corporate Income Taxes
			Att. 1	Tax Rulings

Exhibit	Tab	Schedule	Attachment	Contents
C2				Supporting Schedules
	1	1		Cost of Service
	2	1		Depreciation and Amortization Expenses
	3	1		Calculation of Utility Income Taxes
			Att. 1	Calculation of Utility Income Taxes Test Years (2015 to 2019)
			Att. 2	Calculation of Capital Cost Allowance Test Years (2015 to 2019)
			Att. 3	Calculation of Utility Income Taxes (2014)
			Att. 4	Calculation of Capital Cost Allowance (2014)
		2		2014 Income Tax Return
D				Rate Base
D1				Written Direct
	1	1		Rate Base
		2		Working Capital
			Att. 1	A Determination of the Working Capital Requirements
			Att. 2	External Expert Evidence Statement
	2	1		Summary of Capital Expenditures and In-Service Additions
D2				Supporting Schedules
	1	1		Statement of Utility Rate Base
	2	1		Continuity of Property, Plant and Equipment
		2		Continuity of Accumulated Depreciation
	3	1		Statement of Working Capital

Filed: 2015-03-30

EB-2015-0026

Exhibit A

Tab 1

Schedule 1

Page 4 of 4

Exhibit	Tab	Schedule	Attachment	Contents
E				Revenue Requirement
E1	1	1		Written Direct Revenue Requirement
		2		Start-Up and Development Costs
E2	1	1		Supporting Schedules Calculation of Revenue Requirement
F				Regulatory Assets
F1	1	1		Written Direct Regulatory Asset Accounts Requested
G				Cost Allocation and Rate Design
G1	1	1		Written Direct Cost Allocation and Rate Design
	2	1		Overview of Uniform Transmission System Rates
G2	1	1		Supporting Schedules Current 2015 Uniform Transmission Rate Schedules
		2		Current 2015 Cost Allocation and Rate Pool Details
	2	1		Proposed 2016 Uniform Transmission Rate Schedules
		2		Proposed 2016 Cost Allocation and Rate Pool Details

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APPLICATION

ONTARIO ENERGY BOARD

IN THE MATTER OF *the Ontario Energy Board Act, 1998*;

AND IN THE MATTER OF an Application by B2M Limited Partnership by its general partner, B2M GP Inc. (“B2M GP”), for an Order or Orders approving rates for the transmission of electricity.

1. The Applicant is B2M Limited Partnership (“B2M LP”). B2M LP is a Limited Partnership, the partnership interests in which are held by B2M GP Inc. and Hydro One B2M LP Inc. affiliates of Hydro One Inc. (“HOI”), and Saugeen Ojibway Nation Finance Corporation (“SON FC”), a corporation owned by, and Nominee of, the Chippewas of Saugeen First Nation and Chippewas of Nawash First Nation. B2M LP has its head office in Markham, Ontario. The Applicant carries on the business, of owning and operating transmission facilities in Ontario.
2. B2M LP hereby applies to the Ontario Energy Board (the “Board”), pursuant to Section 78 of the *Ontario Energy Board Act, 1998*, for an Order or Orders approving the 2015 through 2019 revenue requirement and customer rates for the transmission of electricity, to be implemented on January 1st of each test year.
3. B2M LP seeks approval of a revenue requirement of \$38.7 million for 2015, \$35.9 million for 2016, \$36.5 million for 2017, \$38.2 million for 2018 and \$37.3 million for 2019. After application of the recovery measures proposed in this Application related to the start-up costs of the entity and the recovery of the 2015 revenue shortfall, the estimated change to the Transmission portion of the average residential customer’s bill is 0.0% in 2015, -0.4% in

1 2016, 0.1% in 2017, 0.1% in 2018 and -0.1% in 2019. This represents an impact of less than
2 0.01% on a customer's Total Bill in any one of the years of this application.

3
4 4. As part of this Application, B2M LP is seeking the recovery of initial start-up costs totalling
5 \$7.7 million over the 2016 to 2019 test years at a rate of \$1.925 million per year.

6
7 5. B2M LP also requests that the Board amend future Uniform Transmission Rates for the
8 Network pool to allow for recovery of the proposed revenue requirements for 2015 through
9 2019, effective January 1st of each year and the declaration of final rates for 2015.

10
11 6. B2M LP seeks Board approval to establish three new deferral/variance accounts effective
12 January 1, 2015:

- 13 • the Unplanned Capital Spending Account;
- 14 • the Tax Rate Changes Account; and
- 15 • the 2015 Revenue Requirement Reconciliation Account.

16
17 7. B2M LP also seeks approval of the following additional components of the Application:

- 18 • the proposed Annual Adjustment Mechanisms; and
- 19 • the proposed Annual Outcome Measurement Reporting.

20
21 8. The written evidence filed with the Board may be amended from time to time prior to the
22 Board's final decision on the Application. Further, the Applicant may seek meetings with
23 Board staff and intervenors in an attempt to identify and reach agreements to settle issues
24 arising out of this Application.

1 9. The persons affected by this Application are the ratepayers of B2M LP. It is impractical to set
2 out their names and addresses because they are too numerous.

3
4 B2M LP requests that a copy of all documents filed with the Board by each party to this
5 Application be served on the Applicant and the Applicant's counsel as follows:

6
7 a) The Applicant:

8
9 Mr. Mike Penstone
10 Managing Director
11 B2M GP Inc.

12
13 Mailing Address: 185 Clegg Road
14 Markham, ON L6G 1B7
15 Telephone: (416) 345-5444
16 Fax: (416) 345-4141
17 Electronic access: mike.penstone@b2mlp.ca

18
19
20 Ms. Erin Henderson
21 Regulatory Coordinator – Regulatory Affairs
22 Hydro One Networks Inc.

23
24 Address for personal service: 7th Floor, South Tower
25 483 Bay Street
26 Toronto, ON M5G 2P5

27
28 Mailing Address: 7th Floor, South Tower
29 483 Bay Street
30 Toronto, ON M5G 2P5
31 Telephone: (416) 345-4479
32 Fax: (416) 345-5866
33 Electronic access: regulatory@HydroOne.com

34
35
36 b) The Applicant's counsel:

37
38 Mr. D.H. Rogers, Q.C.
39 Rogers Partners LLP

1 Address for personal service: 100 Wellington St W
2 Suite 500, P.O. Box 255
3 Toronto, ON, M5K 1J5

4
5 Mailing Address: 100 Wellington St W
6 Suite 500, P.O. Box 255
7 Toronto, ON, M5K 1J5
8 Telephone: (416) 594-4500
9 Fax: (416) 594-9100
10 Electronic access: don.rogers@rogerspartners.com

11
12
13 Ms. A. Varjadic
14 Rogers Partners LLP

15
16 Address for personal service: 100 Wellington St W
17 Suite 500, P.O. Box 255
18 Toronto, ON, M5K 1J5

19
20 Mailing Address: 100 Wellington St W
21 Suite 500, P.O. Box 255
22 Toronto, ON, M5K 1J5
23 Telephone: (416) 594-4522
24 Fax: (416) 594-9100
25 Electronic access: Anita.Varjadic@rogerspartners.com

26
27
28 DATED at Toronto, Ontario, this 29th day of June, 2015.
29

30 by B2M LIMITED PARTNERSHIP

31 By its counsel,

32 
33 ORIGINAL SIGNED BY DON ROGERS

34 _____
35 [D.H. Rogers, Q.C.]

B2M GP Inc.,
a corporation incorporated under the laws of Ontario,
in its capacity as general partner of B2M Limited Partnership

OFFICER'S CERTIFICATE

TO: THE ONTARIO ENERGY BOARD

The undersigned, Sandy Struthers, being the President and Secretary of B2M GP Inc., the general partner of B2M Limited Partnership ("B2M LP"), hereby certifies for and on behalf of B2M LP that:

1. I am a senior officer of B2M GP Inc., the general partner of B2M LP;
2. This certificate is given pursuant to the Ontario Energy Board's *Filing Requirements for Electricity Transmission Rate Applications (last revised on January 2, 2014)*; and
3. The evidence submitted in support of B2M Limited Partnership Transmission Rate Application (EB-2015-0026) filed with the Ontario Energy Board is accurate, consistent and complete to the best of my knowledge.

DATED this 29th day of June, 2015



Sandy Struthers
President and Secretary
B2M GP Inc., in its capacity as
general partner of B2M Limited
Partnership

1 **SUMMARY OF APPLICATION**

2
3 B2M Limited Partnership (“B2M LP”) is applying for an Order or Orders approving the
4 revenue requirement, cost allocation and rates for B2M LP for the years 2015 through
5 2019 (“test years”) under the assigned Docket Number EB-2015-0026. This summary
6 provides a brief description of the approvals being sought through this Application and a
7 summary of the revenue requirement being requested.
8

9 **1.0 SCOPE OF APPLICATION**

10
11 The scope of this five year Application includes:
12

- 13 • the review of B2M LP’s evidence in support of the revenue requirements for 2015
14 through 2019, and
15 • the review of the charge determinants for the Network pool to assist in the
16 development of Uniform Transmission Rates.
17

18 This submission reflects B2M LP’s plan to maintain its network assets to meet objectives
19 regarding public and employee safety; regulatory and legislative compliance;
20 maintenance of system security and reliability and system growth requirements. No
21 capital expenditures are forecast over the five year period covered by this application.
22

23 B2M LP’s OM&A expenditures have been determined on the basis of an examination of
24 required work programs to ensure the most appropriate, cost-effective solutions are
25 undertaken to meet public and employee safety objectives, maintain transmission
26 reliability at targeted performance levels, and to comply with regulatory requirements,
27 environmental requirements and Government direction. These expenditures are itemized
28 and discussed in written direct evidence in Exhibit C1, Tab 2, Schedule 1.

1 This Application by B2M LP is substantively consistent with the Filing Requirements for
2 Transmission Applications (the “Filing Requirements”) issued by the Board on January 2,
3 2014. Further details are provided at Exhibit A, Tab 7, Schedule 1.

4
5 This Application addresses the Board Order of December 11, 2014, in proceeding EB-
6 2014-0330, for B2M LP to file a full cost of service rate application for final revenue
7 requirement and rates, no later than April 1, 2015.

8
9 B2M LP has entered into an Affiliate Service Agreement with Hydro One Networks Inc.
10 (“HONI”), for the provision of services more thoroughly described at Exhibit A, Tab 10,
11 Schedule 1.

12
13 The Hydro One Corporate costs related to providing support to B2M LP were developed
14 using the Corporate Cost Allocation Methodology as accepted by the Board in the most
15 recent Hydro One Transmission Application (EB-2014-0140) and updated for this current
16 filing, to allocate the common corporate costs to B2M LP. The study is filed as
17 Attachment 1 to Exhibit C1, Tab 3, Schedule 1 and is described at Exhibit C1, Tab 3,
18 Schedule 1.

19
20 The calculation of working capital, filed at Exhibit D2, Tab 3, Schedule 1 reflects the
21 results of a lead-lag study completed by Navigant Consulting Inc. and filed as
22 Attachment 1 to Exhibit D1, Tab 1, Schedule 2.

23
24 B2M LP has applied the deemed capital structure of 60% debt and 40% common equity,
25 as affirmed by the Board in EB-2009-0084 proceeding issued on December 11, 2009, in
26 determining its 2015 through 2019 revenue requirement. B2M LP is requesting an equity
27 return of 9.30% for 2015, 9.68% for 2016, 9.93% for 2017, 10.03% for 2018 and 10.08%
28 for 2019. The equity returns for 2015 reflect the Board’s approved equity return per its

1 November 20, 2014 guidance on cost of capital reflecting the September 2014 Consensus
2 Forecast.

3
4 The Company assumes that the return on equity (“ROE”) for the 2016 to 2019 test years
5 will be updated in accordance with the Cost of Capital Report, upon the final decision in
6 this case. Specifically, the 2016 to 2019 ROE would be updated to reflect the September
7 Consensus Forecasts and Bank of Canada data available in October of the preceding year
8 as part of the Draft Rate Order for those test years. The derivation of the Cost of Capital
9 is provided at Exhibit B1, Tab 1, Schedule 1.

10
11 This Application provides information on B2M LP’s revenue requirement and charge
12 determinants for the Network pool to assist in the development of provincial Uniform
13 Transmission Rates at Exhibit G1.

14 15 **2.0 APPROVALS REQUESTED**

16 17 **2.1 Revenue Requirement**

18
19 Respecting B2M LP’s revenue requirement in the years 2015 through 2019, the Company
20 is seeking approvals for:

- 21
22 1. B2M LP seeks approval of a revenue requirement of \$38.7 million for 2015, \$35.9
23 million for 2016, \$36.5 million for 2017, \$38.2 million for 2018 and \$37.3 million for
24 2019. After application of the recovery measures proposed in this Application related
25 to the start-up costs of the entity and the recovery of the 2015 revenue shortfall, the
26 estimated change to the Transmission portion of the average residential customer’s
27 bill is 0.0% in 2015, -0.4% in 2016, 0.1% in 2017, 0.1% in 2018 and -0.1% in 2019.

- 1 2. This represents an impact of less than 0.01% on a customer's Total Bill in any one of
2 the years of this application.
3
- 4 3. Recovery of initial start-up costs totalling \$7.7 million over the 2016 to 2019 test
5 years at a rate of \$1.925 million per year as described in Exhibit E1, Tab 1, Schedule
6 1.
7
- 8 4. Proposed OM&A expenditures of \$1.8 million for 2015 test year, \$1.2 million for
9 2016, \$1.2 million for 2017, \$2.5 million for 2018 and \$1.5 million for the 2019 test
10 year, all of which are discussed in Exhibit C1, Tab 2, Schedule 1.
11
- 12 5. A rate base of \$522.8 million for 2015, \$516.0 million for 2016, \$509.2 million for
13 2017, \$502.4 million for 2018 and \$495.6 million for the 2019 test year, as described
14 in Exhibit D1, Tab 1, Schedule 1.
15
- 16 6. Depreciation and amortization expenses of \$6.8 million per year for the 2015 through
17 2019 period determined by applying the accepted Foster's methodology and as
18 described in Exhibit C1, Tab 4, Schedule 1 and further detailed in Exhibit C2, Tab 2,
19 Schedule 1.
20

21 **2.2 Cost Allocation and Rates**

22

23 The Company is seeking approvals of:

24

- 25 1. The cost allocation methodology, as described in Exhibit G1, Tab 1, Schedule 1 and
26 supported by the remainder of Exhibit G.
27

- 1 2. The revenue is to be collected by the Network Pool as discussed in Exhibit G1, Tab 1,
2 Schedule 1, since the only transmission assets that B2M LP owns and operates are
3 deemed to be Network Pool assets within the Ontario context.
4
- 5 3. The charge determinant application to the Network Pool as discussed in Exhibit G1,
6 Tab 1, Schedule 1.
7
- 8 4. B2M LP also requests that the Board amend future Uniform Transmission Rates for
9 the Network pool to allow for recovery of the proposed revenue requirements for
10 2015 through 2019, effective January 1st of each year and the declaration of final rates
11 for 2015.
12

13 **2.3 Other Approvals**

14

- 15 1. B2M LP seeks Board approval to establish three new deferral/variance accounts
16 effective January 1, 2015:
 - 17 • the Unplanned Capital Spending Account;
 - 18 • the Tax Rate Changes Account; and
 - 19 • the 2015 Revenue Requirement Reconciliation Account.
20

21 Further details of these accounts are found in Exhibit F1, Tab 1, Schedule 1.
22

- 23 2. B2M LP also seeks approval of the following additional components of the
24 Application:
 - 25 • the proposed Annual Adjustment Mechanisms; and
 - 26 • the proposed Annual Outcome Measurement Reporting.
27

28 Further details can be found in Exhibit A, Tab 4, Schedule 1.

1 **3.0 CAUSES OF THE CHANGE IN REVENUE REQUIREMENT**

2
3 The proposed annual revenue requirement over the five year period is less than the 2015
4 revenue requirement underlying the interim Board Decision. This decrease in total
5 revenue requirement is a result of changes in cost of capital due to the issuance of new
6 debt at a lower rate as described in the updated evidence at Exhibit B1, Tab 1, Schedule
7 1.

8
9 There are variations in the revenue requirement year over year; which are described in
10 further detail in Exhibit E1, Tab 1, Schedule 1. The most significant year over year
11 increase in revenue requirement is in 2018 due to the need to complete vegetation
12 management work along the right of way.

13
14 The Application reflects B2M LP's efforts to ensure that customers within the Province
15 will continue to be supplied in a secure and reliable manner while supporting the
16 Government's energy initiatives, thereby contributing to the health and competitiveness
17 of the Province's economy.

1 **FINANCIAL SUMMARY**

2
3 **1.0 INTRODUCTION**

4
5 B2M Limited Partnership (“B2M LP”) is making this Application requesting approval of
6 an appropriate revenue requirement in support of just and reasonable transmission rates
7 for 2015, 2016, 2017, 2018 and 2019.

8
9 The proposed revenue requirement and rates included in this application have been
10 prepared on the basis of forward-looking 2015 to 2019 test years. This submission also
11 includes actual information for 2014.

12
13 B2M LP is proposing to recover a revenue requirement of \$38.7 million for the 2015 test
14 year, \$35.9 million for 2016, \$36.5 million for 2017, \$38.2 million for 2018 and \$37.3
15 million for 2019. On December 11, 2014, the Board issued its Decision and Interim
16 Order in proceeding EB-2014-0330 approving an interim revenue requirement for 2015
17 of \$40.6 million. The revenue requirement calculation for all test years appears in the
18 evidence at Exhibit E2, Tab 1, Schedule 1.

19
20 B2M LP has applied the deemed capital structure of 60% debt and 40% common equity,
21 as affirmed by the Board in EB-2009-0084 proceeding issued on December 11, 2009, in
22 determining its 2015 through 2019 revenue requirement. B2M LP is requesting an equity
23 return of 9.30% for the 2015 test year, 9.68% for 2016, 9.93% for 2017, 10.03% for 2018
24 and 10.08% for 2019. The equity returns for 2015 reflect the Board’s approved equity
25 return per its November 20, 2014 guidance on cost of capital reflecting the September
26 2014 Consensus Forecast. Evidence in support of its Cost of Capital and Cost of Third
27 Party Long Term Debt appears at Exhibit B1, Tab 1, Schedule 1.

1 B2M LP's OM&A expenditures have been determined on the basis of an examination of
2 required work programs to ensure the most appropriate, cost-effective solutions are
3 undertaken to meet public and employee safety objectives, maintain transmission
4 reliability at targeted performance levels, and to comply with regulatory requirements,
5 environmental requirements and Government direction. These expenditures are itemized
6 and discussed in written direct evidence in Exhibit C1, Tab 2, Schedule 1.

7

8 B2M LP has entered into an Affiliate Service Agreement with Hydro One Networks Inc.
9 ("HONI"), for the provision of certain services more thoroughly described at Exhibit A,
10 Tab 10, Schedule 1.

11

12 The Hydro One Corporate costs related to providing support to B2M LP were developed
13 using the Corporate Cost Allocation Methodology as accepted by the Board in the most
14 recent Hydro One Transmission Application (EB-2014-0140) and updated for this current
15 filing, to allocate the common corporate costs to B2M LP. The study is filed as
16 Attachment 1 to Exhibit C1, Tab 3, Schedule 1 and is described at Exhibit C1, Tab 3,
17 Schedule 1

18

19 Depreciation and amortization expense of \$6.8 million for each of the test years, were
20 determined by applying the accepted Foster's methodology described in Exhibit C1, Tab
21 4, Schedule 1 and further detailed in C2, Tab 2, Schedule 1.

22

23 The calculation of working capital, filed at Exhibit D2, Tab 3, Schedule 1 reflects the
24 results of a lead-lag study completed by Navigant Consulting Inc. and filed as
25 Attachment 1 to Exhibit D1, Tab 1, Schedule 2.

1 B2M LP proposed Rate Base of \$522.8 million for 2015, \$516.0 million for 2016, \$509.2
 2 million for 2017, \$502.4 million for 2018 and \$495.6 million for the 2019 are discussed
 3 at Exhibit D1, Tab 1, Schedule 1.

4

5 No capital expenditures are forecast over the 5 test year period as discussed in Exhibit
 6 D1, Tab 2, Schedule 1.

7

8 Table 1 summarizes the financial highlights for the 2015 to 2019 Test Years.

9

10

Table 1
Cost of Capital

11

<i>Line No.</i>		<i>Total Rate Base Percent</i>	<i>2015 Deemed Capital Structure (\$ millions)</i>	<i>2015 Cost Rate (%)</i>	<i>2016 Deemed Capital Structure (\$ millions)</i>	<i>2016 Cost Rate (%)</i>	<i>Exhibit</i>
		(a)	(b)	(c)	(d)	(e)	(f)
1	Total Debt	60.0%	313.7	3.30%	309.6	1.81%	B2-1-1
2	Common Equity	40.0%	209.1	9.30%	206.4	9.68%	B2-1-1
3	Total Rate Base	100.0%	522.8	5.70%	516.0	4.96%	B2-1-1

12

13

14

<i>Line No.</i>		<i>Total Rate Base Percent</i>	<i>2017 Deemed Capital Structure (\$ millions)</i>	<i>2017 Cost Rate (%)</i>	<i>2018 Deemed Capital Structure (\$ millions)</i>	<i>2018 Cost Rate (%)</i>	<i>Exhibit</i>
		(a)	(b)	(c)	(d)	(e)	(f)
1	Total Debt	60.0%	305.5	1.94%	301.4	1.99%	B2-1-1
2	Common Equity	40.0%	203.7	9.93%	201.0	10.03%	B2-1-1
3	Total Rate Base	100.0%	509.2	5.14%	502.4	5.20%	B2-1-1

15

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<i>Line No.</i>		<i>Total Rate Base Percent</i>	<i>2019 Deemed Capital Structure (\$ millions)</i>	<i>2019 Cost Rate (%)</i>	<i>Exhibit</i>
		(a)	(b)	(c)	(d)
1	Total Debt	60.0%	297.3	1.98%	B2-1-1
2	Common Equity	40.0%	198.2	10.08%	B2-1-1
3	Total Rate Base	100.0%	495.6	5.22%	B2-1-1

3
4
5

Financial Highlights

<i>Line No.</i>	<i>\$ millions</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>Exhibit</i>
1	Total OM&A Expense	1.8	1.2	1.2	2.5	1.5	C1-2-1
2	Rate Base	522.8	516.0	509.2	502.4	495.6	D2-1-1
3	Revenue	38.7	35.9	36.5	38.2	37.3	E2-1-1
4	Requirement Return on Capital	29.8	25.6	26.1	26.1	25.9	E2-1-1

6

1 **SUMMARY OF APPLICATION FRAMEWORK**

2
3 **1.0 INTRODUCTION**
4

5 B2M Limited Partnership (“B2M LP”) is applying for a five year Cost of Service
6 application. B2M LP has determined that a five year Cost of Service application is most
7 appropriate, given the forecast of operations, maintenance and administrative expenses is
8 relatively stable over the test years and no capital expenditures are forecast to be incurred
9 and placed in-service during this period. This approach will minimize the regulatory
10 burden for all stakeholders and thereby contribute to overall rate stability. This
11 application approach allows the Company to propose a smoothing methodology to
12 minimize the initial rate impact to customers resulting from the start-up costs incurred to
13 form the partnership.
14

15 **2.0 APPLICATION FRAMEWORK**
16

17 B2M LP’s application is a five year Cost of Service application that provides five years
18 of revenue requirements to operate the assets, accommodate necessary maintenance
19 investments in infrastructure and system integrity work to ensure continued safe, reliable
20 and secure service.
21

22 B2M LP recognizes that there are still risks associated with forecasting over a longer
23 period. Changes in the industry may alter the investment needs or require changes to
24 rate setting that could result in a significant impact on the Company’s capability to
25 execute its plan.
26

27 In order to mitigate the risk of externally driven factors that may be impactful; B2M LP
28 is proposing a number of adjustment mechanisms in the design of its application in order

1 for the Company to avoid a regulatory review by the Board during the five year
2 application period. B2M LP is also proposing a set of outcome measures to track its
3 performance and delivery of the plan. These mechanisms are summarized in the
4 following sections.

5

6 **2.1 Annual Adjustment Mechanisms**

7

8 B2M LP is proposing annual adjustment mechanisms for recurring events that are
9 externally driven, mechanical in nature and do not require a prudence review. The
10 adjustment calculation will be derived based on year-end audited financial statements or
11 parameters issued by the Ontario Energy Board or the Provincial or Federal
12 Governments. B2M LP's proposal for annual adjustments will include such items as:

13

- 14 • changes in the cost of capital and working capital,
- 15 • changes in the tax rates, and
- 16 • changes in other third party pass through charges.

17

18 B2M LP's intention is to present to the Board annually an update of adjustments for the
19 upcoming year as part of a draft rate order. Further details on annual adjustments are
20 provided below.

21

22 **2.1.1 Cost of Capital**

23

24 B2M LP's cost of capital for each of the test years 2015 to 2019 is shown in Exhibit B1,
25 Tab 1, Schedule 1, Table 1. Late each year the Board issues new parameters for the
26 return on equity and deemed short term rate to be used to set rates for the following year.
27 Once issued, B2M LP will file a draft rate order using these new parameters to establish
28 rates for the following year. Based on previous Board decisions, the Company will also

1 update its cost of long term debt to account for any debt issues that were made in the past
2 year. The rate order will clearly show the change in revenue requirement due to the new
3 return on equity and cost of debt for the next test year. The incremental amount will be
4 added to or subtracted from the original Board approved revenue requirement in this
5 application and Board approval will be sought to use the adjusted revenue requirement to
6 determine new rates for the following year. Draft rate schedules based on the adjusted
7 revenue requirement will be filed with the rate order for the Board's approval.
8

9 2.1.2 Changes in Tax Rates

10
11 In Exhibit F1, Tab 1, Schedule 1, B2M LP is requesting the establishment of the Tax
12 Rate Changes account. This account will track the effect of legislative or regulatory
13 changes to the tax rates or rules on the amount of costs approved by the Board as part of
14 this application. As changes to statutory tax rates can be calculated in a purely
15 mechanical way, there is no issue of prudence in spending to be reviewed.
16

17 2.1.3. Changes in other Third Party Pass Through Charges

18
19 If there are changes in Third Party Pass Through Charges to be used to set rates, B2M LP
20 will include these new parameters in its draft rate order to establish rates for the
21 following year. The rate order will clearly show the change in revenue requirement due
22 to the new parameters. The incremental amount will be added to or subtracted from the
23 original Board approved revenue requirement in this application and Board approval will
24 be sought to use the adjusted revenue requirement to determine new rates for the
25 following year. Draft rate schedules based on the adjusted revenue requirement will be
26 filed with the rate order for the Board's approval.
27

1 **2.2 Outcome Measures**

2

3 B2M LP is proposing a set of outcome measures with targets that will track the
4 Company's performance in meeting its five year plan as described in this application. The
5 outcome measures will be tracked annually and the results of this tracking will be
6 reported to the Board. The proposed outcome measures are:

7

- 8 • System Average Interruption Frequency;
- 9 • System Average Interruption Duration;
- 10 • Average System Availability; and
- 11 • NERC Vegetation Compliance.

1 **SUMMARY OF TRANSMISSION BUSINESS**

2
3 **1.0 INTRODUCTION**

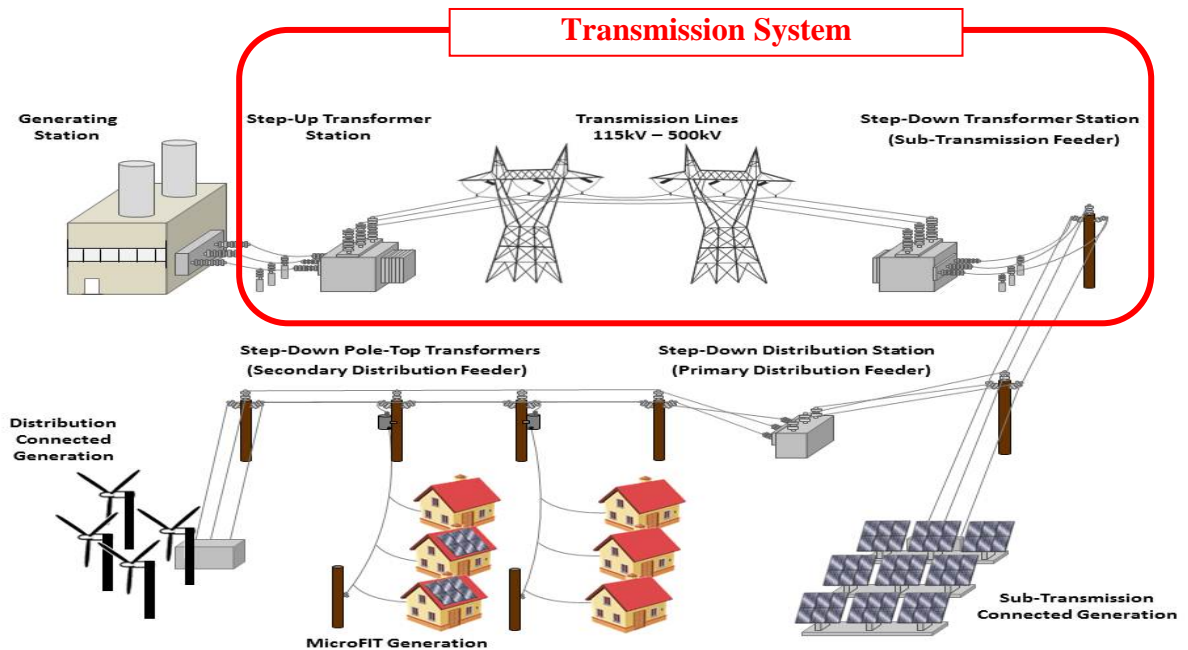
4
5 B2M LP is licensed by the Ontario Energy Board to own, operate and maintain transmission
6 facilities in the Province of Ontario. This exhibit provides an overview of a transmission system
7 and a description of the B2M LP’s transmission assets. A summary of B2M LP’s transmission
8 business, values, and strategic goals follow in Section 4 through Section 6, and concludes with a
9 discussion on the requirements for B2M LP within the electricity industry and regulatory
10 framework in Ontario.

11
12 **2.0 TRANSMISSION SYSTEM BACKGROUND**

13
14 The purpose of a transmission system is to transmit electricity between supply points (such as
15 generators, interconnections with other jurisdictions, and load customers with sufficient
16 embedded generation to result in injections into the transmission system) and delivery points
17 (load customers, including Local Distribution Companies (“LDCs”), end-use Transmission
18 Customers and interconnections with other jurisdictions).

19
20 A simplified figure of a Transmission System is provided in Figure 1 below. As depicted, a
21 typical transmission system is a large interconnected electrical network which includes three key
22 components: step-up facilities from supply points, high-voltage transmission lines, and step-
23 down facilities to delivery points.

Figure 1 - Transmission System



The Province of Ontario has several licenced transmitters. They include B2M LP, Hydro One Networks, the largest transmitter of electricity in the province, Great Lakes Power, Canadian Niagara Power, Five Nations Energy and a number of other licenced transmitters that have emerged with the change in policy that enabled competitive transmission. However, in contrast to the other transmitters, B2M LP transmission assets are limited to an individual double circuit high-voltage transmission line. Further details of B2M LP's assets are presented in the following section.

1 **3.0 DESCRIPTION OF B2M LP TRANSMISSION ASSETS**

2
3 B2M LP's business assets are solely comprised of one 500kV double circuit high-voltage
4 transmission line known as Circuit B560V and Circuit B561M. These circuits have a combined
5 capacity of approximately 3,000 MW. Each circuit is approximately 176 km in length and form
6 a contiguous line from Bruce Power Complex to Milton SS that consists of new 500kV lines
7 from Bruce Power Complex to a point near Highway 7 combined with pre-existing 500kV lines
8 from the point near Highway 7 south to the Hydro One Milton Switching Station. A map of the
9 transmission line is provided in Exhibit A, Tab 8, Schedule 1.

10
11 The demarcation point of each of B2M LP's circuits from Hydro One's transmission system is:

- 12 • Circuit B560V: terminating at the north end near Bruce A TS at tower #2A inclusive, and at
13 the south end at Milton SS at tower #726 inclusive; and
- 14 • Circuit B561M: terminating at the north end near Bruce B SS at tower #2 inclusive, and at
15 the south end at Milton SS at tower #726 inclusive.

16
17 The ownership of the terminating stations (Bruce A TS, Bruce B SS, and Milton SS) remains with
18 Hydro One.

19
20 The major components of these circuits include: overhead conductors, steel support structures,
21 foundations, insulators, connecting hardware and grounding systems as well as rights to Hydro
22 One's existing transmission corridor on which the circuits are located.

1 A summary of the key physical assets are provided in Table 1.

2
3 **Table 1**

B2M LP Assets	
Fixed Assets (Net Book Value)	\$526.3 Million*
Transmission System Voltages (kV)	500
Overhead Transmission Lines (circuit km)	350

4 *Value as of December 31, 2014.

5
6 **4.0 DESCRIPTION OF B2M LP BUSINESS ACTIVITIES**

7
8 B2M LP's business activities are regulated and consist of the management of its transmission
9 assets to meet reliability standards and satisfy regulatory, environmental, and legal requirements.

10
11 B2M GP Inc. will be responsible for ensuring that the transmission assets owned by B2M LP are
12 operated and maintained in accordance with all applicable regulatory standards as outlined in
13 Section 7.0. B2M GP Inc. will carry out these functions through an operations and management
14 services agreement with Hydro One Networks Inc. ("HONI"), as further outlined in Exhibit A,
15 Tab 10, Schedule 1.

16
17 HONI's management of the B2M LP transmission assets includes operations, maintenance,
18 construction and engineering services, customer service activities and supporting research,
19 environmental, and public/employee health and safety programs. The costs of all these activities
20 are included in the revenue requirements for B2M LP.

21

1 Furthermore, expenditures are included in the revenue requirement for B2M LP for
2 administrative and corporate services, which will also be supported by HONI. Details of these
3 costs are discussed in Exhibit C1, Tab 2, Schedule 1.
4

5 **5.0 B2M LP'S VALUES**

6
7 B2M LP is driven by the values of Health & Safety, Stewardship, Excellence and Innovation; the
8 same values that drive B2M LP's service provider, Hydro One. B2M LP conducts work in an
9 environment that can be dangerous for both workers and the public, and so safety is of the utmost
10 importance. The company demonstrates sound stewardship in a manner that respects both
11 customers' needs, as well as the environment. Excellence is achieved through continuous
12 improvement to ensure that B2M LP is prepared and equipped to deliver high quality and
13 affordable service. B2M LP values innovation and views it as a key success factor for its future.
14

15 B2M LP's strategy and business values must ensure rates that can balance the financing of
16 investment in infrastructure while maintaining affordable and reliable service.
17

18 **6.0 STRATEGIC GOALS AND PERFORMANCE TARGETS**

19
20 B2M LP's strategic objectives parallel those of Hydro One and consist of:
21

- 22 • Creating an injury-free workplace and maintaining public safety;
- 23 • Focusing on continuous innovation to ensure a modern, flexible and advanced transmission
24 system;
- 25 • Maintaining a reliable, cost-effective transmission system;
- 26 • Protecting and sustaining the environment for future generations;
- 27 • Maintaining a commercial culture that increases value for its owners; and
- 28 • Achieving productivity improvements and cost-effectiveness.

1 The five-year goals associated with the company's strategic objectives are shown in Table 2.

2

3

Table 2

STRATEGIC OBJECTIVES	FIVE-YEAR VISION
Injury-Free	Achieve world-class standing for medical attention, for utilities.
Continuous Innovation	Meet 100% of plan.
Reliable Transmission	Maintain top-quartile transmission reliability.
Protecting the Environment	Reduce B2M LP's environmental footprint.
Owner's Value	Achieve the ROE allowed by the Ontario Energy Board and maintain "A" credit rating category.
Productivity and Cost-Effectiveness	Achieve top-quartile unit costs in transmission against utility comparables.

4

5 These strategic objectives underpin and drive B2M LP's business.

6

7 **7.0 ELECTRICITY INDUSTRY AND REGULATORY FRAMEWORK**

8

9 B2M LP is subject to direction from its owners, Board decisions, and government legislation and
10 regulations. Each one of these sources has the potential to be a driver for change affecting B2M
11 LP policies, processes and work programs. When new legislation or regulations are passed or
12 when OEB decisions are released, B2M LP responds by developing appropriate programs or
13 initiatives to implement the required changes in a cost effective fashion.

14

15 The following provides a summary of the key electricity legislation and regulation, industry
16 standards and guidelines and other relevant legislation that governs and drives B2M LP
17 transmission business.

1 **7.1 Industry and Regulatory Environment in Ontario**

2
3 Within the Ontario electricity industry, the Ministry of Energy sets legislative and regulatory
4 requirements through changes to the *Electricity Act, 1998* and the *Ontario Energy Board Act,*
5 *1998*. Both statutes have been amended several times.

6
7 The OEB sets transmission rates, issues codes and licenses, and grants approval for construction
8 of new transmission lines greater than two kilometers. The Transmission System Code (“TSC”),
9 issued by the OEB, sets out the obligations of electricity transmitters with respect to their
10 customers. The TSC also addresses standards for the operation, maintenance, management and
11 expansion of transmission systems. B2M LP is bound by the terms of its transmission licence to
12 adhere to the requirements of the TSC and is required to operate and maintain its system in
13 accordance with “good utility practice”. The TSC and the market rules also require all customers
14 directly connected to the transmission system to enter into a connection agreement with their
15 transmitter. Direct customer connections to the 500kV system in Ontario are very rare. At the
16 present time, B2M LP does not have any customers that are directly connected to its assets. B2M
17 LP will establish agreements with transmission customers if required in the future.

18
19 The Independent Electricity System Operator (“IESO”) administers the electricity market and
20 directs the operation of the power system in Ontario while ensuring its extensive planning,
21 conservation, market and procurement capabilities serve the province’s long-term needs. The
22 IESO controlled grid provides the infrastructure for transmitting large volumes of electrical
23 energy from major generation sources to major load centers. The B2M LP transmission assets
24 provide transmission capacity. As part of the IESO controlled transmission grid, the IESO
25 makes this capacity available to market participants.

1 **7.2 North American Reliability Framework**

2
3 The National Electric Reliability Council (“NERC”) was established in the United States in 1968
4 in response to the 1965 blackout. NERC is subject to oversight by governmental authorities in
5 Canada and the U.S. NERC’s mission is to ensure the reliability of the bulk power system in
6 North America. NERC develops and enforces reliability standards; monitors the bulk power
7 system; and assesses and reports on future transmission and generation adequacy. To date,
8 NERC has developed over 120 standards including approximately 1,400 requirements. Over 60
9 of these standards apply to B2M LP.

10
11 The *U.S. Energy Policy Act* of 2005 authorized the creation of a self-regulatory Electricity
12 Reliability Organization (“ERO”) that would span North America. The legislation stated that
13 compliance with reliability standards would be mandatory and enforceable. In July 2006, NERC
14 was certified as the ERO in the United States. In October 2006, the OEB signed a Memorandum
15 of Understanding with NERC recognizing NERC as the ERO in Ontario. Voluntary compliance
16 was expected as a matter of good utility practice through the first set of NERC standards
17 (effective January 2005). The standards later became mandatory and enforceable in the United
18 States in June 2007.

19
20 As a licensed Transmitter, B2M LP has a regulatory obligation to comply with the reliability
21 standards adopted by NERC. This requirement to comply is also stated in the IESO Market
22 Rules. B2M LP is bound to follow the Market Rules and also “good utility practice” in its day-
23 to-day operations. The IESO is responsible for monitoring and enforcing the reliability standards
24 in Ontario, where market participants are subject to monetary sanctions of up to one million
25 dollars for confirmed violations.

1 **7.3 Other Relevant Legislation**

2
3 7.3.1 Environmental Legislation

4
5 B2M LP is subject to a wide range of federal and provincial legislation, regulation and standards
6 related to environmental impacts. The following are the major acts that govern B2M LP's
7 activities. Many others can apply in specific circumstances but the following are applicable to
8 most transmission work:

- 9
10 • *Environmental Assessment Act,*
11 • *Environmental Protection Act,*
12 • *Fisheries Act / Fish and Wildlife Conservation Act,*
13 • *Species at Risk Act / Endangered Species Act,*
14 • *Transportation of Dangerous Goods Act,*
15 • *Pesticides Act,*
16 • *Ontario Water Resources Act,*
17 • *Conservation Authorities Act.*
18 • *Ontario Heritage Act,*
19 • *Forest Fires Prevention Act,*
20 • *Public Lands Act, and*
21 • *Public Transportation and Highway Improvement Act.*

22
23 7.3.2 Safety Standards

24
25 Safety is of utmost importance in B2M LP's transmission work activities. B2M LP is committed
26 to complying with safety standards and regulations following those established by Hydro One.
27 Some major Safety Acts that are more relevant to B2M LP are:

- 1 • *Occupational Health and Safety Act*, which requires B2M LP to comply with industrial
2 design and construction safety regulations, and
3 • B2M LP must also comply with the health regulations of the Ministry of Health under the
4 *Public Health Act*.

5

6 7.3.3 Industry Standards

7

8 B2M LP also complies with other relevant national and international standards such as the
9 Canadian Standards Association (“CSA”), the Institute of Electrical and Electronic Engineers
10 (“IEEE”) and the International Electrotechnical Commission (“IEC”) for the design of its
11 transmission system and equipment.

NOTICES OF MOTION

1

2

3 To be filed behind this tab as and when Notices of Motion are filed.

- 1 • Similarly, the only rate pool applicable for B2M LP assets is the “Network” pool
2 consistent with the cost allocation methodology approved by the Board in proceeding
3 EB-2012-0031 for Hydro One Networks transmission rates. Therefore, no further cost
4 allocation methodology is presented in this application.

5
6 4. Planning Process

- 7 • The assets owned by B2M LP are relatively new with approximately 90% of the line less
8 than three years old. As such, B2M LP is not proposing any capital expenditure in this
9 application, and hence did not undertake a capital investment planning process or a
10 regional planning process.
- 11 • Similarly, B2M LP has not provided a consolidated Asset Management Plan. However,
12 the high level information on B2M LP’s assets and planned maintenance investments is
13 provided within the application.

14
15 5. Other Revenue

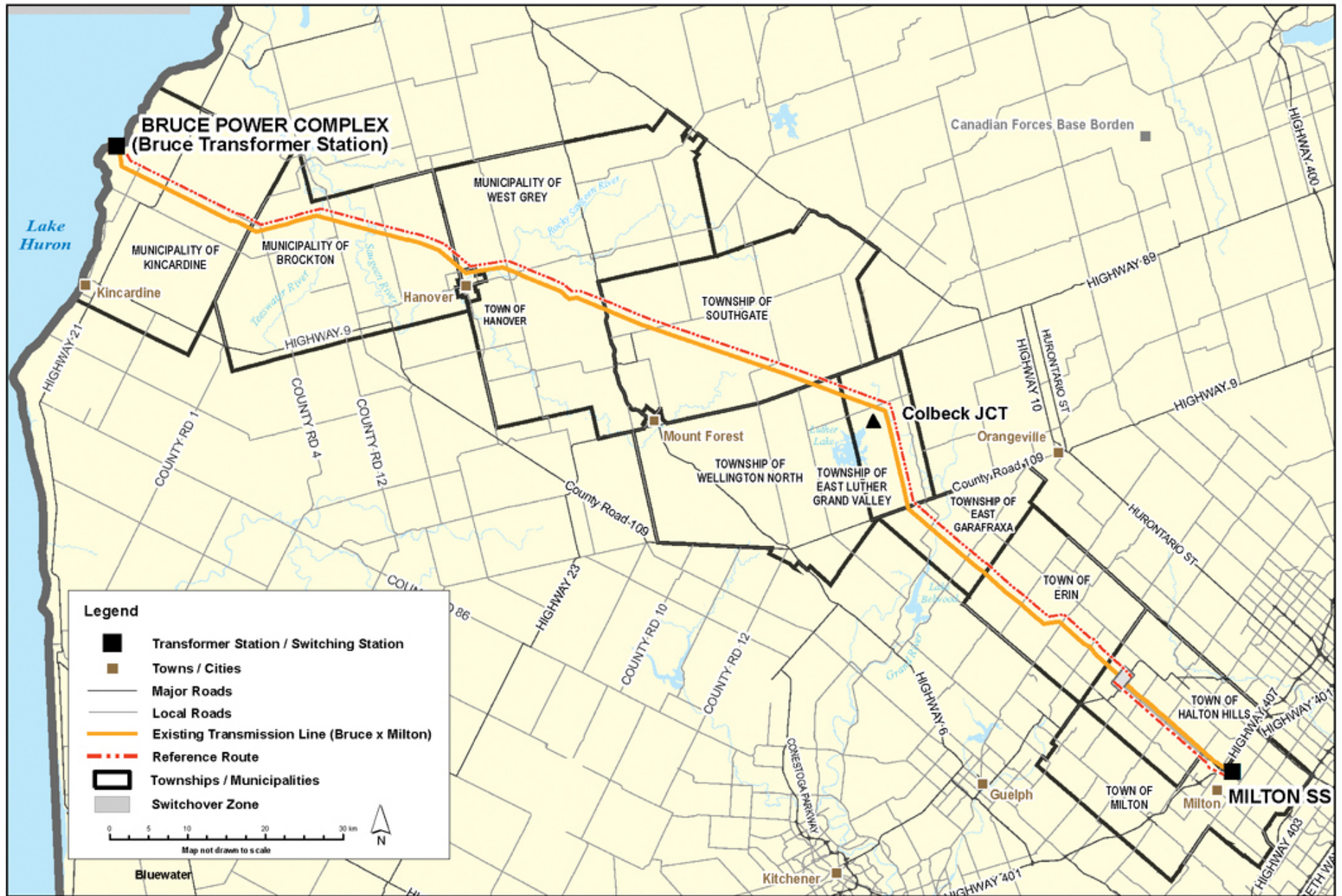
- 16 • B2M LP has no external revenue sources, the only revenue applicable to B2M LP is the
17 revenue requirement from owning and maintaining the two 500 kV transmission lines.

18
19 Notwithstanding the items above, B2M LP submits that it has substantiated the need for and
20 provided sufficient justification of the costs that are the basis of the proposed new rates; which is
21 essential for the regulatory review process in order to enable the Board to make a determination
22 as to whether the proposals are reasonable.

1 **TRANSMISSION SYSTEM MAP**
2

3 B2M LP's business comprises ownership of a 500 kV double circuit high-voltage transmission
4 line, which passes through Bruce, Grey, Wellington, and Dufferin counties; the regional
5 municipality of Halton; and the municipalities of Kincardine, Brockton, Hanover, West Grey,
6 Southgate, Wellington North, Erin, East Luther Grand Valley, East Garafraxa, Halton Hills and
7 Milton.

8
9 The map in Attachment 1 depicts the route of the two 500 kV double circuit high voltage
10 transmission lines, one pre-existing double circuit line and one new double circuit line, between
11 the Bruce Power Complex and Milton SS. B2M LP's owned assets include the new double
12 circuit line from Bruce Power Complex at Kincardine to a point near Highway 7 just east of
13 Acton; at this point the new double circuit line is joined to a short section of pre-existing 500 kV
14 double circuit line which carries on from Highway 7 south to Milton SS. Further details on B2M
15 LP's owned assets are outlined in Exhibit A, Tab 5, Schedule 1.



1 **DESCRIPTION OF THE PARTNERSHIP**

2 B2M LP is a limited partnership formed under the laws of Ontario that has acquired
3 certain Bruce by Milton transmission assets, such that it owns a set of continuous
4 transmission circuits running from the Bruce Nuclear Generation Complex to Hydro One
5 Networks' Milton Switching Station. These circuits are named B560V and B561M. The
6 business to be carried out by B2M LP is the provision of electricity transmission service
7 in Ontario.

8
9 The B2M LP limited partnership transaction was finalized on December 17th, 2014.
10 Audited financial statements for the year ending December 31, 2014 are filed as Exhibit
11 A, Tab 11, Schedule 1.

12
13 B2M LP is principally owned by two different entities. The first is B2M GP Inc.; a
14 wholly owned subsidiary of Hydro One Inc. B2M GP Inc. holds the general partner
15 interest and retains substantially all of Hydro One's partnership interests in B2M LP.
16 B2M GP Inc. is responsible for ensuring B2M LP assets are operated and maintained in
17 accordance with all applicable regulatory standards and Hydro One Transmission's
18 maintenance and operating practices through a comprehensive services agreement. This
19 agreement is included at Exhibit A, Tab 10, Schedule 1. The agreement mandates that
20 Hydro One shall be required to ensure that all applicable OEB license, code and rule
21 requirements will be observed.

22
23 The other substantial shareholder in B2M LP is Saugeen Ojibway Nation Finance
24 Corporation ("SON FC"). This corporation is jointly owned by, and is a nominee for, the
25 Chippewas of Saugeen First Nation and the Chippewas of Nawash First Nation
26 (collectively known as "SON"). SON FC is an Ontario corporation that has been formed
27 specifically as the vehicle for SON to be able to participate in B2M LP. SON FC holds

1 the partnership interest in B2M LP for SON but no substantial assets or liabilities other
2 than the financing arranged to fund the acquisition cost of its partnership interest. SON
3 FC will receive the net profit from B2M LP without incidence of income taxes. The
4 resulting reduction in income taxes serves to decrease the cost to ratepayers over the life
5 of the asset.

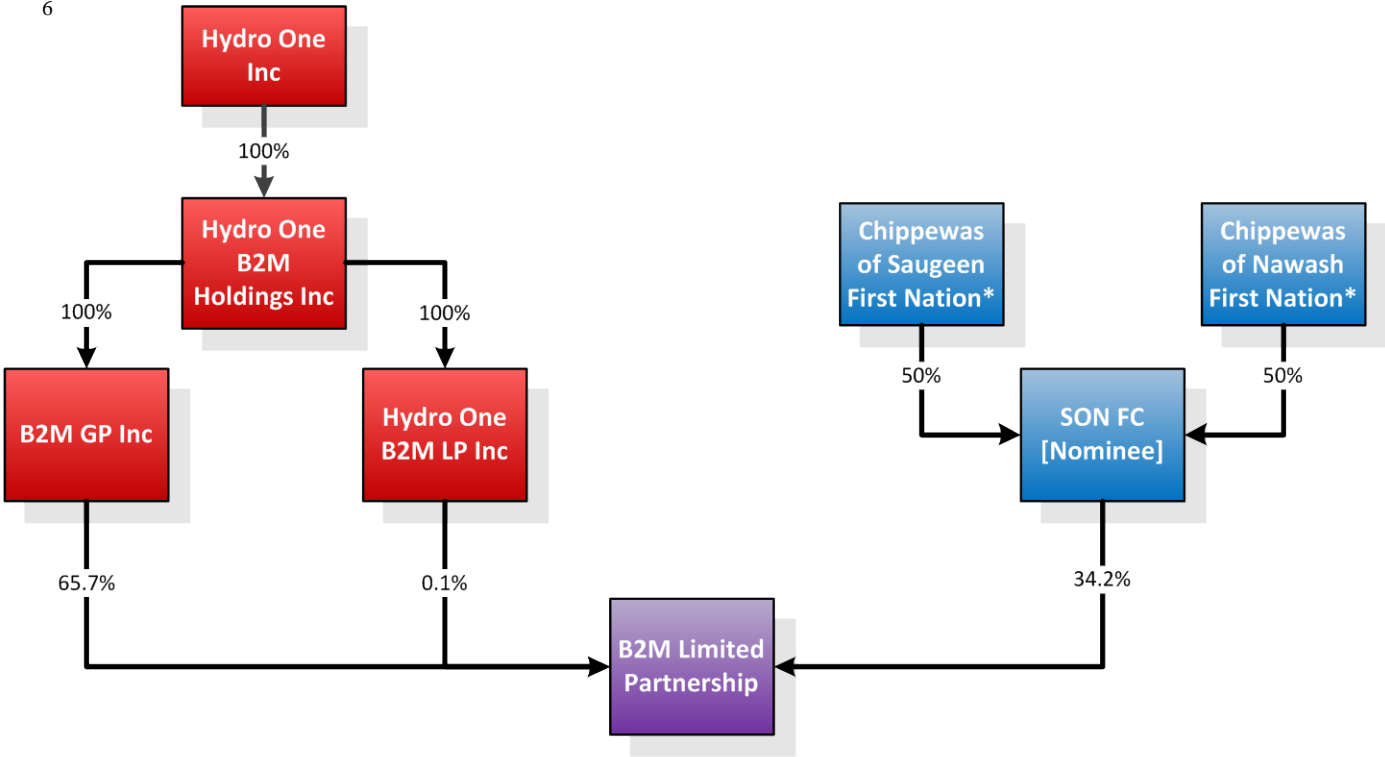
6

7 The organization charts for the B2M Limited Partnership shareholder structure and
8 financial ownership structure are found in Attachment 1.

ORGANIZATION CHARTS

1
2
3
4
5
6

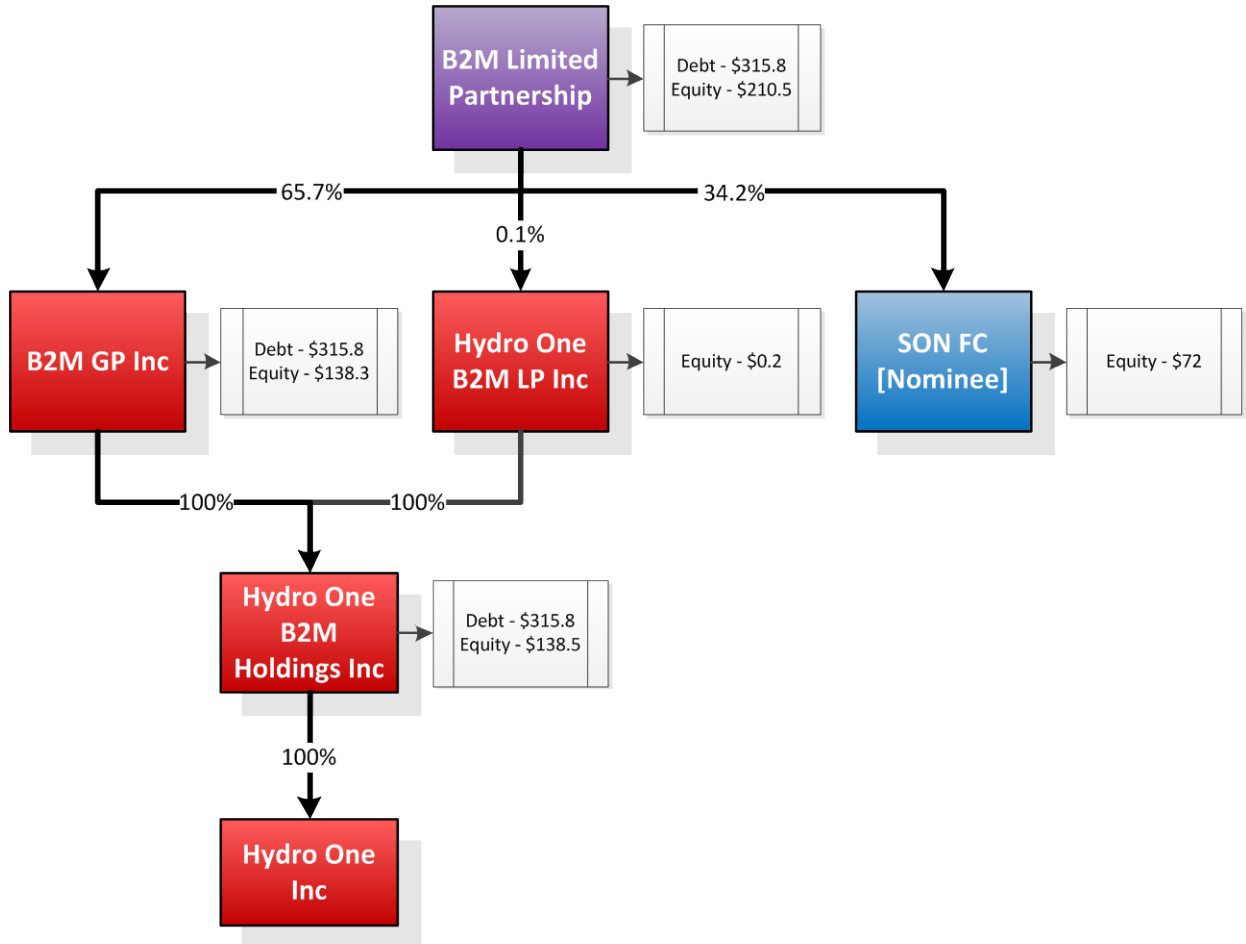
B2M Limited Partnership Shareholder Structure



* a Band within the meaning of Section 2(1) of the *Indian Act* (Canada)

1 **B2M Limited Partnership Financial Ownership Structure**

2



3

* All numbers in \$Mn (rounded), values as of December 17, 2014 – closing date of transaction

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AFFILIATE SERVICE AGREEMENTS

1.0 INTRODUCTION

B2M LP is a limited partnership whose legal representative is B2M GP Inc. All business of B2M LP, the transmitter, is conducted through B2M GP Inc., an affiliate of Hydro One Networks Inc. (“HONI”).

Since B2M GP Inc. and HONI are under common control, in keeping with the spirit of the Affiliate Relationships Code (“ARC”), when B2M LP provides services to or purchases services from affiliates, it does so in accordance with service agreements. This Exhibit discusses the current agreements between B2M LP and HONI for operations services, maintenance services, and common administrative and corporate services.

2.0 THE DEVELOPMENT OF THE SERVICE LEVEL AGREEMENT

Representatives from B2M LP and HONI identified the nature of the services required for the safe and prudent operation in accordance with Good Utility Practice of B2M LP’s transmission assets. An Agreement for Operations and Management Services capturing these requirements has been reviewed and approved by each company’s accountable officer, and is filed as Attachment 1 to this exhibit.

3.0 TERMS AND CONDITIONS

In accordance with the B2M LP Transmission License, the ARC, and all other applicable codes, rules, orders and decisions of the Board, this agreement describes the terms and conditions of the services HONI provides to B2M LP. This includes the provisions of operations and management services, fees and taxes, invoicing and payment, budgets,

1 accounts and right to audit, liability and force majeure events, dispute resolution
 2 procedures, confidentiality and intellectual property, and term and termination of the
 3 agreement. More details on the key clauses are provided below.

4

5 **3.1 Provision of Operations and Management Services**

6

7 The agreement addresses the provision by HONI to B2M LP of operations, maintenance,
 8 and certain common administrative and corporate services. A description of the services
 9 contained in the Agreement for Operations and Management Services is provided in
 10 Table 1.

11

12

Table 1

13

Service Level Agreement – 2015 to 2019

<i>Services Provider</i>	<i>Services Recipient(s)</i>	<i>Description of Services</i>
Hydro One Networks Inc.	B2M LP	<i>a) Operations Services</i> – monitoring and control of the Transmission System, in accordance with the requirements of B2M LP’s Transmission License and all services required to fulfill all of B2M LP’s obligations under its Connection Agreement and the IESO-B2M LP operating requirements.
		<i>b) Maintenance Services</i> – all maintenance, repair and refurbishment services, in accordance with the requirements of B2M LP’s Transmission License and all services required to fulfill all of B2M LP’s obligations under its Connection Agreement and the IESO-B2M LP operating requirements.

<i>Services Provider</i>	<i>Services Recipient(s)</i>	<i>Description of Services</i>
Hydro One Networks Inc.	B2M LP	<i>c) Administrative and Corporate Services</i> – some corporate and administrative services provided by HONI including finance and regulatory support, tax advice and returns preparation, treasury, communications and government relations, legal advice, real estate support, corporate security services, and First Nations support.

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3.2 Fees

Pursuant to the ARC, where a utility provides a service, resource product or use of an asset to an affiliate, the utility shall charge no less than the greater of (i) the market price of that service, product, resource or use of asset and (ii) the utility’s fully-allocated cost to provide that service, product, resource or use of asset. In purchasing a service, resource, product or use of an asset from an affiliate, a utility shall pay no more than the market price for that service, product, resource or use of asset. Where no market exists, a utility shall charge no less than its fully-allocated cost to provide the service, product, resource or use of asset, and shall pay no more than the affiliate’s fully-allocated cost to provide the service, product, resource or use of asset. The level of costs for B2M LP’s services was determined consistent with the principles above.

The annual fees payable by B2M LP to HONI for Test Years 2015 to 2019 are as follows:

Table 2
Fees Payable by B2M LP for Services Received from HONI
(\$ Millions)

	Test Years				
	2015	2016	2017	2018	2019
Maintenance Services	0.2	0.0	0.0	1.2	0.0
Operations Services	0.5	0.5	0.5	0.5	0.5
Corporate and Administrative Services	0.2	0.2	0.2	0.2	0.2
Totals	0.9	0.8	0.8	2.0	0.8

3.3 Budgets, Accounts and Right to Audit

HONI shall provide B2M GP Inc. with a proposed annual operating, maintenance and capital improvement Budget for B2M LP for the subsequent fiscal year at least sixty (60) days prior to the commencement of the next fiscal year. Such annual Budget shall be accompanied by an annual operating plan prepared by HONI. B2M GP Inc. shall notify HONI within thirty (30) days after receipt of the Budget, of any issues with respect to such proposed Budget, and the two parties shall cooperate with each other in developing a mutually acceptable Budget within the next thirty (30) days.

HONI and B2M GP Inc. agree that the Budget may be amended from time to time by mutual agreement to reflect revisions necessitated by unanticipated circumstances including such as, but changes in applicable laws, additions or deletions to the scope of the services, emergencies and force majeure events.

1 If HONI becomes aware that the costs of services for the current fiscal year may exceed
2 the Budget by 5% or more, HONI shall promptly notify B2M GP Inc. of such anticipated
3 budget overrun and provide B2M GP Inc. a proposed amendment to the Budget.

4
5 B2M GP Inc. shall notify HONI within thirty (30) days after receipt of HONI's proposed
6 Budget amendment of any issues and the parties shall cooperate with each other in
7 developing a mutually acceptable amendment to the Budget. HONI will not perform any
8 services without the prior approval of B2M GP Inc. that would result in a cost overrun
9 except in the case of an emergency.

10
11 In the event of an accident or emergency relating to the B2M LP assets, HONI may take
12 action to address the situation without obtaining any approvals of B2M GP Inc. This may
13 result in spending funds deemed by HONI to be reasonably necessary under the
14 circumstances. As promptly as reasonably practicable after HONI establishes control
15 over such accident or emergency, HONI shall furnish B2M GP Inc. a reasonably detailed
16 written description of the accident or emergency and the manner in which such accident
17 or emergency was handled by HONI. As well, HONI shall be paid for these costs as
18 incurred.

19
20 Except in the case of an emergency, HONI shall perform all services in accordance with
21 the annual operating plan accompanying the Budget.

22
23 HONI and B2M GP Inc. agree to keep all necessary and proper accounts and records
24 relating to services provided by HONI and these accounts and records shall be open to
25 audit and inspection for a period of six years.

26

1 **3.4 Dispute Resolution Procedure**

2

3 If the parties have a dispute under the agreement that cannot be resolved by a conference
4 of senior officers from HONI and B2M GP Inc., a written notice outlining the specifics of
5 the dispute will be passed to the parties' respective Presidents. Five business days after
6 receipt of written notice, if the dispute remains unresolved, the matter is referred to
7 arbitration for final resolution.

8

9 **3.5 Confidentiality and Intellectual Property**

10

11 Unless required by law and/or in certain other exceptional circumstances typically found
12 in a confidentiality agreement, each party shall maintain in strict confidence the
13 agreement and all information received from the other party. A party of the agreement
14 receiving confidential information shall not copy or disclose the information to any third
15 party without the prior written consent of the disclosing party unless specifically
16 stipulated in the agreement.

17

18 Confidential information shall remain the sole and exclusive property of the disclosing
19 party.

20

21 **3.6 Term and Termination**

22 The agreement remains in force between B2M LP, B2M GP Inc. and HONI for an initial
23 term of five years unless terminated on at least twelve months' prior written notice from
24 the terminating party. At the end of the five year period, the agreement will be
25 automatically renewed for successive periods of five years upon the same terms and
26 conditions unless the decision is taken to terminate the agreement.

1 **4.0 COST-BASED PRICING**

2

3 The fees payable to HONI were based on the proportion of a given service used by B2M
4 LP. The cost allocation model that was used to arrive at the fees payable is described in
5 Exhibit C1, Tab 3, Schedule 1, Attachment 1. Where the fees payable for the services
6 delivered are cost-based, such costs may be billed directly.

THIS AGREEMENT FOR OPERATIONS SERVICES AND MANAGEMENT SERVICES effective as of the 17th day of December, 2014

BETWEEN:

Hydro One Networks Inc. (“Hydro One Networks”)

- and -

B2M GP Inc. (“GPco”)

- and -

B2M Limited Partnership (“BM LP”) by its general partner B2M GP INC.

WHEREAS:

- 1) BM LP is the transmitter licensed under the *Ontario Energy Board Act* (the “Act”) to own and operate the second 500KV electric transmission tower line spanning approximately 180 kilometres from the Bruce Power Nuclear Generating Station in Kincardine, Ontario to Hydro One Networks’ switchyard in Milton, Ontario (the “BXM Line”), which line went into commercial service in May 2012.
- 2) GPco, is an affiliate of Hydro One Networks within the meaning of the ARC.
- 3) BM LP wishes to subcontract the operation of the BXM Line to Hydro One Networks as further set out herein.
- 4) GPco wishes to obtain the assistance of Hydro One Networks, from time to time, in connection with certain management functions associated with the transmission business of BM LP.
- 5) The Parties are entering this Agreement to define their respective rights and obligations with respect to management and operation of the BXM Line.

NOW THEREFORE in consideration of the foregoing and the mutual covenants, agreements, terms and conditions contained herein, the Parties intending to be legally bound hereby agree as follows:

ARTICLE I: DEFINITIONS

1.1 Defined Terms

Capitalized terms which are not otherwise defined herein shall have the meaning given to them in the ARC. The following capitalized terms, wherever used in this Agreement, shall have the following meanings:

“Agreement” means this Agreement and all amendments made hereto by written Agreement between the Parties in accordance with the terms of this Agreement;

“ARC” means the *Affiliate Relationships Code for Electricity Distributors and Transmitters* issued by the OEB in accordance with the Act, as amended from time to time;

“BM LP Transmission Licence” means the licence or licences issued to BM LP by the OEB pursuant to the Act and in effect from time to time;

“Claims” means all losses, costs, damages, expenses, injuries, liabilities, claims, demands and penalties, including reasonable legal fees, experts’ fees and court costs, whether incurred through settlement or otherwise, and interest on each of these items, in each case whether arising prior to or after the termination of this Agreement.

“Connection Agreement” means the connection agreement which BM LP has or will have entered into with Hydro One Networks governing the interconnection of the BXM Line with the transmission systems owned and operated by Hydro One Networks;

“Fees” means the Operations Fees and the Management Fees;

“Force Majeure Event” means, in relation to a Person, any event or circumstance, or combination of events or circumstances,

- (i) that is beyond the reasonable control of the Person;
- (ii) that adversely affects the performance by the Person of its obligations under this Agreement; and
- (iii) the adverse effects of which could not have been reasonably foreseen or prevented, overcome, remedied or mitigated in whole or in part by the Person through the exercise of diligence and reasonable care and includes, but is not limited to, acts of war (whether declared or undeclared), invasion, armed conflict or act of foreign enemy, blockade, embargo, revolution, riot, insurrection, civil disobedience or disturbances, vandalism or acts of terrorism, strikes, lockouts,

restrictive work practices or other labour disturbances, unlawful arrests or restraints by government or governmental, administrative or regulatory agencies or authorities unless the result of a violation by the Person of a permit, licence or other authorization or of any applicable law, and acts of God including lightning, earthquake, fire, flood, landslide, unusually heavy or prolonged rain or accumulation of snow or ice or lack of water arising from weather or environmental problems; provided however, for greater certainty, that the lack, insufficiency or non-availability of funds shall not constitute a Force Majeure Event;

“Good Utility Practice” means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry in North America during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in North America;

“IESO” means the Independent Electricity System Operator established under the *Electricity Act, 1998*, or its successor;

“IESO-BM LP Operating Agreement” means the operating agreement which BM LP has or will enter with the IESO through which the IESO ensures that the BXM Line will be operated in a manner which does not compromise the operation or reliability of the IESO-controlled grid to which the BXM Line is connected;

“OEB” means the Ontario Energy Board established pursuant to the Act;

“Operations Fees” means the fees for the Operations Services, calculated and adjusted in accordance with this Agreement;

“Operations Services” means all services required in order to operate the BXM Line, including without limitation, all operating, maintenance, repair and refurbishment matters and including, without limiting the generality of the foregoing, all services in relation to the monitoring and control of the transmission of electricity across the BXM Line in accordance with the BM LP Transmission Licence and all services required to fulfill all of BM LP’s obligations under the Connection Agreement and the IESO-BM LP Operating Agreement;

“Management Activities” means the activities to be undertaken by GPco in connection with the management of transmission business of the BM LP which include:

- (i) obtaining (including preparation of applications therefor and submission thereof) licences, permits, approvals and rates required in connection with the BXM Line, the transmission of electricity thereby and the operation, maintenance, repair and replacement thereof;
- (ii) obtaining (including preparation of applications therefor and submission thereof) licences, permits, approvals and rates required in connection with the BXM Line and the transmission of electricity thereby;
- (iii) representation of the BM LP before the OEB;
- (iv) the making or filing of declarations, filings and registrations with, or notices to, governmental authorities;
- (v) filing and managing warranty claims;
- (vi) procuring and maintaining the necessary inventory of replacement parts;
- (vii) maintaining records for the BM LP;
- (viii) defending any litigation commenced against the BM LP; and
- (ix) such other management activities associated with running the transmission business of the BM LP.

“**Management Fees**” means the fees for the Management Services, calculated and adjusted in accordance with this Agreement;

“**Management Services**” means services to be provided by Hydro One Networks to GPco to assist GPco with the performance of the Management Activities, which services will be requested in writing by GPco from time to time;

“**Person**” means any natural person, sole proprietorship, partnership, corporation, trust, joint venture, governmental authority, incorporated or unincorporated entity, or incorporated or unincorporated association of any nature; and

“**Taxes**” means any and all applicable federal, state, provincial, or municipal taxes and duties including, but not limited to, sales, use, excise, value added, gross receipts, privilege or other non-recoverable taxes that are mandated or imposed on (i) Hydro One Networks by any jurisdiction or governmental entity in relation to the Operations Services and Management Services (other than taxes that are imposed upon the income, property, payroll or capital of Hydro One Networks), (ii) BM LP (other than taxes that

are imposed upon the income, property, payroll or capital of BM LP or any of the partners of BM LP) , or GPco (other than taxes that are imposed upon the income, property, payroll or capital of GPco).

ARTICLE II: PROVISION OF OPERATIONS AND MANAGEMENT SERVICES

2.1 Hydro One Networks shall be the exclusive supplier of Operations Services to BM LP commencing on the effective date of this Agreement, provided that the BM LP may perform any Operations Services or engage another supplier to perform such services if Hydro One Networks is in default in performing its material obligations hereunder or is unable to perform its material obligations hereunder by reason of a Force Majeure Event, to the extent such services are required to ensure the continued operation of the BXM Line.

2.2 GPco shall be responsible for all Management Activities related to the transmission business of BM LP. GPco may make a request in writing, from time to time, to Hydro One Networks, for Management Services to assist GPco in connection with the Management Activities. Hydro One Networks agrees to provide to GPco those Management Services requested in writing by GPco.

2.3 Hydro One Networks shall at all times provide Operations Services and Management Services in accordance with Good Utility Practice, the BM LP Transmission Licence, the ARC, all other applicable codes, rules, orders and decisions of the OEB which are binding upon the BXM Line, all applicable law, and provided they are not inconsistent with any of the foregoing, Hydro One Networks' own policies and procedures (which may include government directives), and shall do so in the same manner and to the same extent as it provides similar services in connection with its wholly-owned regulated transmission business. Hydro One Networks shall comply with all applicable laws in providing the Operations Services and Management Services.

2.4 To the extent that Hydro One Networks also provides services similar to the Operations Services or Management Services in respect of its own assets or business, Hydro One Networks will provide such Operations Services and Management Services in a non-discriminatory manner as if it were providing such services to itself or receiving a similar service in relation to its own transmission assets or business. The Fees for such Operations Services and Management Services shall be consistent with the costs incurred by Hydro One Networks for such similar services in relation to Hydro One Networks' transmission assets or business activities which are substantially similar to the BXM Line and business activities of BM LP.

2.5 Upon expiration of this Agreement or termination of this Agreement for reasons other than the default of BM LP, and provided that BM LP is not in default of paying the

Fees owing hereunder, Hydro One Networks shall provide, at the request of BM LP, reasonable transition support services to facilitate transition to another operating and management services entity, reimbursable on the basis of the “fully allocated cost” (as defined in the ARC), and otherwise on the terms hereof, for a period of six months following the expiration or effective date of termination of this Agreement, or such shorter period as BM LP may request.

2.6 Hydro One Networks shall obtain and maintain in force throughout the term of this Agreement, insurance coverage that a reasonable and prudent Person operating a transmission business of a comparable size and scale of Hydro One Networks would carry as part of its business. Hydro One Network’s liability insurance shall name BM LP as an additional insured and include a cross-liability and severability of interest clause and a waiver of subrogation clause by the insurer against BM LP. In addition, such liability insurance policy shall specify that it is primary coverage and not contributory with or in excess of any other insurance that may be maintained by BM LP except in the circumstance where pursuant to Section 2.8, Hydro One Networks chooses to add BM LP as an additional named insured under Hydro One Networks’ insurance program.

2.7 Subject to the provisions of Section 2.8, BM LP shall obtain and maintain in force throughout the term of this Agreement, insurance coverage that a reasonable and prudent transmitter would carry as part of its transmissions business, including, without limitation, property insurance and commercial general liability insurance. Such liability insurance shall name Hydro One Networks as an additional insured, include a cross-liability and severability of interest clause and a waiver of subrogation clause by the insurer against Hydro One Networks. In addition, the insurance policies shall specify that they are primary coverage and not contributory with or in excess of any other insurance that may be maintained by Hydro One Networks. Hydro One Networks will procure such coverage for BM LP as part of the Operations Services.

2.8 Notwithstanding the foregoing and in the alternative, in consultation with BM LP, Hydro One Networks may choose to add the BM LP as an additional named insured under Hydro One Networks’ insurance program and allocate to BM LP as Fees, a portion of the premium therefor and any incremental costs borne by Hydro One Networks in accommodating the unique circumstances of BM LP (e.g. reducing deductibles to such reasonable levels requested by BM LP), provided that the amount of the insurance premium allocated to BM LP as Fees (including any incremental costs) shall not exceed the cost of insurance described in Section 2.7 if it were to be obtained as stand-alone insurance coverage.

ARTICLE III: FEES

3.1 BM LP shall pay, without duplication, the Operations Fees and all applicable Taxes to Hydro One Networks for the performance of the Operations Services.

3.2 GPco shall pay, without duplication, the Management Fees and all applicable Taxes to Hydro One Networks for the performance of the Management Services.

3.3 The Fees for Operations Services and Management Services shall be those costs reasonably incurred by Hydro One Networks in connection with the provision of Operations Services and Management Services in the manner and to the extent provided for hereunder and which are allocated to BM LP and GPco in a manner consistent with the ARC.

3.4 Fees may be set with reference to actual or estimated consumption and may be charged on a flat fee or per unit basis. Hydro One Networks, acting reasonably and in consultation with BM LP or GPco, as applicable, may elect the most convenient bases for setting Fees. Provided that the approach is acceptable to the OEB, Hydro One Networks may allocate a portion of its transmission business-related costs to BM LP, including a portion of certain types of “direct costs” (as defined in the ARC). Hydro One Networks shall, from time to time as required to keep the information current, and in any event, no less frequently than annually, provide BM LP with a breakdown of Hydro One Network’s fully allocated costs of providing the Operations Services.

3.5 GPco shall use commercially reasonable efforts to recover the Fees payable hereunder by BM LP and GPco in the BM LP transmission rate revenue requirement submissions to the OEB and representations to be made to the OEB in connection therewith.

ARTICLE IV: INVOICING AND PAYMENT

4.1 All amounts payable by BM LP and GPco to Hydro One Networks under this Agreement shall be paid in accordance with the invoices rendered by Hydro One Networks to be issued on a periodic basis matching the time period for which BM LP receives payments for the transmission of electricity. BM LP and GPco shall pay Hydro One Networks’ invoices within 30 days of receipt thereof.

ARTICLE V: BUDGETS, ACCOUNTS AND RIGHT TO AUDIT

5.1 Hydro One Networks shall, for each fiscal year of the Term hereof, including any extension of the initial Term (other than the first year of the initial term), provide GPco with a proposed annual operating, maintenance and capital improvement budget for the subsequent fiscal year of the BM LP (the “**Budget**”) at least sixty (60) days prior to the commencement of the next fiscal year. Such annual Budget shall be accompanied by an annual operating plan prepared by Hydro One Networks setting forth the underlying assumptions and plans in connection with the Budget, and setting forth a brief description of any major system repairs anticipated to be required in such fiscal year. GPco shall

notify Hydro One Networks as soon as reasonably practicable, but no later than thirty (30) days after receipt of the Budget, of any questions, comments, objections or suggested modifications which it may have with respect to such proposed Budget, and the parties shall cooperate with each other in developing a mutually acceptable Budget within thirty (30) days thereof. If GPco fails to raise any questions, comments, objections or suggested modifications to the proposed Budget within thirty (30) days after receipt of the proposed Budget, the proposed Budget shall be deemed to have been approved. The parties acknowledge that they have agreed to an annual Budget for the first fiscal year (or part thereof) of the initial term of this Agreement.

5.2 Each Budget will represent Hydro One Networks' estimate of all fully allocated costs for providing the Operations Services under this Agreement during the period to which the Budget relates, and its estimate of all capital improvements required for providing the Operations Services, during the period to which the Budget relates.

5.3 The parties agree that the Budget may be amended from time to time by mutual agreement to reflect revisions necessitated by unanticipated circumstances including, but not limited to, changes in applicable law, additions or deletions to the scope of the Operations Services hereunder, emergencies and Force Majeure events, provided that Hydro One Networks shall not be required to amend the Budget more frequently than would be required under its normal business and operations practices.

5.4 The Budget shall reflect anticipated costs of Operations Services by Hydro One Networks on a monthly or quarterly basis and shall be organized by categories mutually agreed upon by the parties. If Hydro One Networks becomes aware that the costs of Operations Services for the current fiscal year may exceed the Budget by 5% or more of the total amount of the Budget, Hydro One Networks shall promptly notify GPco of such anticipated budget overrun and provide GPco a proposed amendment to the Budget. GPco shall notify Hydro One Networks as soon as reasonably practicable, but no later than thirty (30) days after receipt of Hydro One Networks' proposed Budget amendment of any questions, comments, objections or suggested modifications thereto and the parties shall cooperate with each other in developing a mutually acceptable amendment to the Budget. If GPco fails to raise any questions, comments, objections or suggested modifications to the proposed Budget amendment within the specified period, Hydro One Networks' proposed amendment shall be deemed to have been approved. Hydro One Networks shall not, without the written approval of GPco amending the Budget or otherwise authorizing such expenditure, perform any further services or incur any further costs that would result in or increase such Budget overrun, except in the case of an emergency as provided in Section 5.7.

5.5 If by the start of any fiscal year the parties are unable to reach agreement concerning the Budget for such year, then, until such time as agreement is reached, the Budget for such year shall be based on the corresponding portions of the Budget for the

preceding fiscal year, adjusted as follows: (i) with respect to items of expense that do not involve capital additions or improvements, to reflect the net change, if any, between the most recently published Ontario Consumer Price Index, published by Statistics Canada, not seasonally adjusted and the corresponding index in effect twelve months prior, and (ii) with respect to items of expense involving capital additions or improvements, to reflect the net change, if any, between the most recently published Producer Price Index for Capital Equipment, not seasonally adjusted, and the corresponding index in effect twelve months prior.

5.6 In the event that Hydro One Networks determines that a capital improvement, addition, alteration, repair or replacement not included in the Budget that has an impact of more than 5% of the total amount of the Budget should be made to the BXM Line in order to operate the BXM Line safely or comply with any laws, regulations or orders of any governmental authority, including laws, regulations or orders relating to environmental compliance or employee safety, Hydro One Networks shall provide GPco with a written notice describing the nature of and reason for the improvement, addition, alteration, repair or replacement. Hydro One Networks shall not make any such improvement, addition, alteration, repair or replacement without GPco's prior consent, which consent shall not be unreasonably withheld or delayed. In the event that GPco refuses to approve of any such Hydro One Networks recommended improvement, addition, alteration, repair or replacement, Hydro One Networks shall have the option to terminate this Agreement in accordance with Section 9.3

5.7 In the event of an accident or emergency relating to the BXM Line, Hydro One Networks may, without obtaining any approvals of GPco which might otherwise be required hereunder, take any action, including, but not limited to, committing or expending funds, deemed by Hydro One Networks to be reasonably necessary under the circumstances. As promptly as reasonably practicable after Hydro One Networks establishes control over such accident or emergency, Hydro One Networks shall furnish to GPco a reasonably detailed written description of the accident or emergency and the manner in which such accident or emergency was handled by Hydro One Networks. Hydro One Networks shall be entitled to compensation for costs incurred pursuant to this Section 5.7 in addition to all other compensation provided for under this Agreement.

5.8 Except as provided by Section 5.7 in the case of an emergency, Hydro One Networks shall perform all services hereunder in accordance with the annual operating plan accompanying the Budget.

5.9 The parties hereby agree to keep all necessary and proper accounts and records relating to the subject matter hereof. Such accounts and records, including invoices, receipts, time cards and vouchers shall at all reasonable times be open to audit, inspection and copying by each Party to this Agreement. Accounts and records shall be preserved and kept available for audit for a period of six years.

ARTICLE VI: LIMITATION OF LIABILITY AND FORCE MAJEURE EVENTS

6.1 Other than for sums payable under this Agreement, Hydro One Networks shall only be liable to BM LP and GPco and BM LP and GPco shall only be liable to Hydro One Networks for any damages that arise directly out of its gross negligence or willful misconduct in meeting its respective obligations under this Agreement. Notwithstanding the generality of the foregoing, neither party shall be liable to the other party under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract or loss of goodwill, or for any indirect, consequential or incidental damages, including but not limited to punitive or exemplary damages, whether any of the said liability, loss or damages arise in statute, contract, tort or otherwise.

6.2 In any event, except with respect to gross negligence or willful misconduct, the total liability of Hydro One Networks to BM LP and GPco and the total liability of BM LP and GPco to Hydro One Networks in connection with this Agreement whether it arises by statute, contract, tort or otherwise, will not exceed the value of the total amounts payable by BM LP and GPco to Hydro One Networks for the Operations Services and Management Services in the year that such liability is incurred.

6.3 No party shall be liable to the other for any loss, damage or delay, or inability to perform any obligation under this Agreement in whole or in part due to a Force Majeure Event.

6.4 BM LP will indemnify and save harmless Hydro One Networks providing Operations Services from and against any and all Claims that Hydro One Networks may suffer, sustain or incur in connection with the provision of the Operations Services except to the extent caused or arising from the gross negligence or wilful misconduct of Hydro One Networks.

6.5 If a Force Majeure Event prevents a party from performing any of its obligations under this Agreement, such party shall (1) expeditiously, and without delay, notify the other party of the Force Majeure Event and its good faith assessment of the effect that the Force Majeure Event will have on its ability to perform any of its obligations, which notice shall be confirmed in writing as soon as reasonably practicable if such immediate notice is not in writing; (2) not be entitled to suspend performance of any of its obligations under the Agreement to any greater extent or for any longer duration than is caused by the Force Majeure Event; (3) use commercially reasonable efforts to mitigate the effects of such Force Majeure Event and to resume full performance of its obligations hereunder; (4) keep the other party informed of such efforts on a continuing basis; and (5) provide written notice to the other party of the resumption of the performance of any obligations affected by the Force Majeure Event.

6.6 Notwithstanding any of the foregoing, settlement of any strike, lockout, or labour dispute constituting a Force Majeure Event shall be within the sole discretion of the party to the Agreement involved in such strike, lockout, or labour dispute and the requirement that a party must use commercially reasonable efforts to mitigate the effects of a Force Majeure Event and resume full performance hereunder shall not apply to strikes, lockouts, or labour disputes.

ARTICLE VII: DISPUTE RESOLUTION PROCEDURES

7.1 Any controversy, dispute, difference, question or claim (collectively “Dispute”), arising between the parties in connection with the interpretation, performance, construction or implementation of this Agreement that cannot be resolved by a conference of senior officers of Hydro One Networks and GPco shall be settled in accordance with this section. The aggrieved party shall send the other party written notice identifying the Dispute, the amount involved, if any, and the remedy sought. The Presidents from each party shall confer in an effort to resolve the Dispute. If the Presidents are unable to resolve the Dispute within 5 business days after receipt of the written notice of the Dispute, then a Party may refer the Dispute to adjudication in court or, if all Parties agree, to arbitration before a single arbitrator. Insofar as they do not conflict with this Section 7.1, the Rules for Procedure for Commercial Arbitration of the Arbitration and Mediation Institute of Canada Inc./International Chamber of Commerce Rules of Arbitration in effect at the date of commencement of any arbitration held under this Agreement will apply to the arbitration. A Party may enter any judgment upon any award rendered by the arbitrator in any court having jurisdiction. The arbitration will be conducted in English under the *Arbitration Act, 1991* (Ontario) and will take place in either the City of Toronto or such other place as the Parties may agree and at such time and place as the arbitrator may fix. Notwithstanding the foregoing, if the subject matter of any Dispute is also the subject matter of a Dispute under Section 13 of the Limited Partnership Agreement governing the BM LP, the resolution of the Dispute under the Section 13 of the Limited Partnership Agreement governing the BM LP shall govern and be applicable to the resolution of the Dispute under this Agreement and such matter shall not be subject to further arbitration or adjudication under this Agreement.

ARTICLE VIII: CONFIDENTIALITY AND INTELLECTUAL PROPERTY

8.1 Each party (the “Receiving Party”) shall maintain in strict confidence this Agreement and the existence and contents thereof and all confidential or proprietary information of the other party, (the “Disclosing Party”) or any of the Disclosing Party’s directors, officers, employees, consultants, agents or legal, financial or professional advisors (the “Disclosing Party Representatives”) (collectively the “Confidential Information”). Except as permitted herein, the Receiving Party shall not publish, reproduce, or disclose, either directly or indirectly, the said Confidential Information to any third party and shall not use the said Confidential Information for any purpose other

than for purposes of this Agreement without the prior written consent of the Disclosing Party. The Receiving Party may disclose the Confidential Information only to its partners, shareholder, directors, officers, employees, consultants, agents, professional advisors or lenders (the "Receiving Party Representatives") having a need to know same and who have undertaken a like obligation to maintain its confidentiality. For greater certainty, Confidential Information includes any and all personal information (as that term is defined in the *Freedom of Information and Protection of Privacy Act* (Ontario) and the *Personal Information Protection and Electronic Documents Act* (Canada), as they may be amended) and any and all information regarding a consumer, retailer, wholesale buyer, wholesale supplier, or a generator, provided by the Disclosing Party to the Receiving Party for purposes of this Agreement.

8.2 The Receiving Party undertakes to protect and safeguard all Confidential Information in its possession or under its control and received by the Disclosing Party, in the manner described in Schedule "A" attached hereto. The Disclosing Party may, on reasonable notice, and during regular business hours, audit the information management practices of the Receiving Party to confirm compliance with the terms and conditions of this Article VIII and all applicable statutes, regulations, by-laws, standards and codes, as amended.

8.3 The Receiving Party undertakes to notify the Disclosing Party immediately upon discovery of any unauthorized use and/or disclosure of any of the Disclosing Party's Confidential Information, to co-operate with the Disclosing Party to help regain possession of such Confidential Information, and to prevent its further unauthorized use and/or disclosure.

8.4 The foregoing obligations with respect to confidentiality, use, reproduction, dissemination, publication and non-disclosure herein shall not apply to any information that:

- (i) is previously known to or lawfully in the possession of the Receiving Party prior to the date of disclosure as evidenced by the Receiving Party's written record;
- (ii) is independently known to or discovered by the Receiving Party, without any reference to the information or material;
- (iii) is obtained by the Receiving Party from an arm's length third party having a bona fide right to disclose same and who was not otherwise under an obligation of confidence or fiduciary duty to the Disclosing Party or the Disclosing Party Representatives;
- (iv) is or becomes public knowledge through no fault or omission of, or breach of this Agreement by, the Receiving Party or the Receiving Party Representatives; or

- (v) is required to be disclosed pursuant to a final judicial or governmental order or other legal process, including, without limitation, an order of or legal process involving a regulatory authority such as the Ontario Energy Board.

8.5 The parties acknowledge and agree that the Confidential Information (other than Confidential Information contained in this Agreement which shall be jointly owned by the parties) shall remain the sole and exclusive property of the Disclosing Party that has disclosed the Confidential Information, and the Disclosing Party shall retain all right, title and interest in and to the Confidential Information it has disclosed to the Receiving Party.

8.6 The Receiving Party agrees that it shall keep a record of written Confidential Information furnished to it by the Disclosing Party in a location separate from those locations where the Receiving Party has stored information in respect of other third parties for which it performs work and it shall advise the Disclosing Party of such location.

8.7 All Confidential Information furnished by the Disclosing Party (other than this Agreement), including that portion of the Confidential Information which is contained in analyses, compilations, studies or other documents prepared by the Receiving Party or by the Receiving Party Representatives, is the Disclosing Party's property and will be returned immediately to the Disclosing Party upon its request except that any information, plans, layouts, specifications, descriptions or other information necessary to the continued operation and maintenance of the BXM Line and its parts and components, or to the replacement of any such parts or components, need not be returned and may be used or applied in the continued operation and maintenance of the BXM Line.

ARTICLE IX: TERM AND TERMINATION

9.1 This Agreement shall continue in full force and effect for an initial term of five years and unless terminated in accordance with Section 9.2, shall thereafter be automatically renewed for successive periods of five years upon the same terms and conditions.

9.2 Either party may terminate this Agreement, effective at the end of the then current five-year term, on at least twelve months' prior written notice.

9.3 Hydro One Networks may terminate this Agreement on 60 days prior written notice in the event that BM LP refuses to approve a capital improvement, addition, alteration, repair or replacement recommended by Hydro One Networks in accordance with Section 5.6.

9.4 In the event of termination or expiration of this Agreement: (i) Hydro One Networks shall deliver to GPco all books, records and accounts which it has developed and maintained relating solely to the BXM Line or its operations or the business of BM LP and return all property owned by BM LP, and (ii) the Parties shall take all steps as

may be reasonably required to complete any final accounting between them or to provide for the completion of matters contemplated hereunder.

ARTICLE X: GENERAL

10.1 This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

10.2 The rights and obligations of the parties under this Agreement shall at all times be subject to all applicable laws, regulations, orders and directives of any authority of competent jurisdiction, including the OEB, and shall be deemed to be amended to the extent required to comply with same.

10.3 This Agreement constitutes the entire Agreement between the parties with respect to the Operations Services and Management Services and supersedes all prior oral or written representations and Agreements concerning the subject matter of this Agreement.

10.4 This Agreement shall extend to, be binding upon and enure to the benefit of the permitted assigns and the respective successors of BM LP, GPco and Hydro One Networks.

10.5 Neither this Agreement nor any provision hereof is intended to confer upon any Person other than the parties hereto any rights or remedies hereunder.

10.6 If any party determines that in its reasonable discretion that any further instruments or other actions seem necessary or desirable to carry out the terms of this Agreement, the other parties shall execute and deliver all such instruments and do all such actions as such parties agree in their reasonable discretion as necessary or desirable to carry out the terms of this Agreement.

10.7 No delay or failure in exercising any right under this Agreement or any partial or single exercise of any right, will constitute a waiver of that right or any other rights under this Agreement. No consent to a breach of any express or implied term set out in this Agreement constitutes consent to any subsequent breach.

10.8 If any term, covenant or condition of this Agreement or the application or effect of any such term, covenant or condition is held to be invalid as to any Person, entity or circumstance or is determined to be not in the public interest by any court or government agency of competent jurisdiction, then such term, covenant or condition shall remain in effect to the maximum extent permitted by law and, all other terms, covenants and conditions of this Agreement and their application shall not be affected, but shall remain in full force and effect and the parties shall be relieved of their respective obligations

under this Agreement only to the extent necessary to comply with the court or government agency holding.

10.9 This Agreement does not and shall not be construed to create or establish a partnership, agency, joint venture, lease, licence or any other relationship between the parties hereto, nor constitute either party as an agent of the other. Neither party hereto shall hold itself out to others by act or omission, contrary to the terms of this Agreement.

10.10 This Agreement and the rights and obligations hereunder may not be assigned in whole or in part by Hydro One Networks except with the prior written consent of BM LP, in its sole discretion. This Agreement and the rights and obligations hereunder may not be assigned in whole or in part by BM LP other than (i) to the transferee of the BXM Line approved by the OEB, or (ii) with the prior written consent of Hydro One Networks, in its sole discretion.

10.11 This Agreement and any amendment, supplement, restatement or termination of this Agreement in whole or in part may be signed and delivered in any number of counterparts, each of which when signed and delivered is an original, but all of which taken together constitute one and the same instrument. This Agreement and any amendment, supplement, restatement or termination of this Agreement in whole or in part may be delivered by means of facsimile or via e-mail in portable document format (PDF).

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by the signatures of their proper officers duly authorized in that behalf as of this 17th day of December, 2014.

HYDRO ONE NETWORKS INC.

By: _____



Name: Alexander (Sandy) Struthers

Title: Chief Operating Officer and
EVP Strategic Planning

I have the authority to bind the Corporation.

**B2M LIMITED PARTNERSHIP, by its
general partner B2M GP INC.**

By: _____

Name: Mike Penstone

Title:

I have the authority to bind the Corporation.

B2M GP INC.

By: _____

Name: Mike Penstone

Title:

I have the authority to bind the Corporation.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by the signatures of their proper officers duly authorized in that behalf as of this 17th day of December, 2014.

HYDRO ONE NETWORKS INC.

By: _____
Name: Alexander (Sandy) Struthers
Title:

I have the authority to bind the Corporation.

**B2M LIMITED PARTNERSHIP, by its
general partner B2M GP INC.**

By: Mike Penstone
Name: Mike Penstone
Title:

I have the authority to bind the Corporation.

B2M GP INC.

By: Mike Penstone
Name: Mike Penstone
Title:

I have the authority to bind the Corporation.

Schedule "A"

Receiving Party Security Safeguards Regarding Confidential Information Received from the Disclosing Party

The Receiving Party shall protect the Confidential Information by security safeguards appropriate to the sensitivity of the information.

- 1) The Receiving Party shall protect the Confidential Information against such risks as loss or theft, unauthorized access, disclosure, copying, use, modification or destruction, through appropriate security measures, regardless of the format in which it is held.
- 2) All of the Receiving Party's Representatives with access to the Confidential Information shall be contractually required to respect the confidentiality of that information.
- 3) The Receiving Party acknowledges and agrees that the nature of the safeguards will vary depending on the sensitivity, amount, distribution and format of the information, and the method of storage. The Receiving Party shall ensure that more sensitive information will be safeguarded by a higher level of protection.
- 4) The Receiving Party shall ensure that methods of protection will include:
 - (a) physical measures, for example, locked filing cabinets and restricted access to offices;
 - (b) organizational measures, for example, controlling entry to data centers and limiting access to information on a "need-to-know" basis;
 - (c) technological measures, for example, the use of passwords and encryption;
and
 - (d) investigative measures, in cases where the Receiving Party has reasonable grounds to believe that the Confidential Information is being inappropriately collected, used or disclosed by anyone whom in law the Receiving Party is responsible.

1 **FINANCIAL STATEMENTS – HISTORIC YEARS**

2

3 Included in this exhibit are B2M LP's financial statements for the year ended December
4 31, 2014.

B2M LIMITED PARTNERSHIP
FINANCIAL STATEMENTS
DECEMBER 31, 2014

**B2M LIMITED PARTNERSHIP
INDEPENDENT AUDITORS' REPORT**

To the Partners of B2M Limited Partnership

We have audited the accompanying financial statements of B2M Limited Partnership, which comprise the balance sheet as at December 31, 2014, the statements of operations and comprehensive loss, partners' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management in accordance with the basis of accounting in Note 2 to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the basis of accounting in Note 2 to the financial statements; this includes determining that the basis of accounting is an acceptable basis for the preparation of these financial statements in the circumstances, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements as at and for the year ended December 31, 2014 are prepared, in all material respects, in accordance with the basis of accounting in Note 2 to the financial statements.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to provide the financial position, results of operations and cash flows of the partnership from the date of the transfer of the Bruce to Milton Line transmission assets on December 16, 2014. As a result, the financial statements may not be suitable for another purpose.

Our report is intended solely for B2M Limited Partnership and should not be used by parties other than B2M Limited Partnership.



Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada
March 9, 2015

B2M LIMITED PARTNERSHIP**STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

For the year ended December 31, 2014 and the period from March 22, 2013 to December 31, 2013

<i>(thousands of Canadian dollars)</i>	Year ended December 31, 2014	Period from March 22 to December 31, 2013
Revenue <i>(Note 6)</i>	1,657	–
Costs		
Operation, maintenance and administration <i>(Note 6)</i>	7,714	–
Depreciation	289	–
	<u>8,003</u>	<u>–</u>
Loss before financing charges	(6,346)	–
Financing charges <i>(Note 6)</i>	617	–
Loss and comprehensive loss	<u>(6,963)</u>	<u>–</u>

See accompanying notes to Financial Statements.

B2M LIMITED PARTNERSHIP
BALANCE SHEETS
At December 31, 2014 and 2013

<i>December 31 (thousands of Canadian dollars)</i>	2014	2013
Assets		
Current assets:		
Inter-company receivable (<i>Note 4, 6</i>)	–	1
Accounts receivable (<i>Note 6</i>)	1,657	–
Property, plant and equipment		
Property, plant and equipment in service	526,448	–
Less: accumulated depreciation	289	–
	526,159	–
Total assets	527,816	1
Liabilities		
Current liabilities:		
Inter-company payable (<i>Note 4, 6</i>)	7,643	–
Accrued liabilities (<i>Note 6</i>)	70	–
Accrued interest (<i>Note 6</i>)	617	–
Note payable (<i>Notes 3, 4, 6</i>)	315,870	–
	324,200	–
Total liabilities	324,200	–
Partners' equity (<i>Note 5</i>)	203,616	1
Total liabilities and partners' equity	527,816	1

See accompanying notes to Financial Statements.

On behalf of B2M GP Inc., in its capacity as general partner of B2M Limited Partnership:



Sandy Struthers
Sole Director

B2M LIMITED PARTNERSHIP
STATEMENTS OF PARTNERS' EQUITY
At December 31, 2014 and 2013

<i>Year ended December 31, 2014</i> <i>(thousands of Canadian dollars, except number of units) (Note 5)</i>	Class A Units		Class B Units		Total	
	Number of units	Unit value	Number of units	Unit value	Number of units	Unit value
January 1, 2014	1,000	1	–	–	1,000	1
Contributions by partners	188,578,358	188,578	22,000,000	22,000	210,578,358	210,578
Net loss and comprehensive loss		(6,454)		(509)		(6,963)
December 31, 2014	188,579,358	182,125	22,000,000	21,491	210,579,358	203,616

<i>Period from March 22 to December 31, 2013</i> <i>(thousands of Canadian dollars, except number of units) (Note 5)</i>	Class A Units		Class B Units		Total	
	Number of units	Unit value	Number of units	Unit value	Number of units	Unit value
March 22, 2013	–	–	–	–	–	–
Contributions by partners	1,000	1	–	–	1,000	1
December 31, 2013	1,000	1	–	–	1,000	1

See accompanying notes to Financial Statements.

B2M LIMITED PARTNERSHIP
STATEMENTS OF CASH FLOWS

For the year ended December 31, 2014 and the period from March 22, 2013 to December 31, 2013

<i>(thousands of Canadian dollars)</i>	Year ended December 31, 2014	Period from March 22 to December 31, 2013
Operating activities		
Net loss	(6,963)	–
Adjustments for non-cash items:		
Depreciation	289	–
Changes in non-cash balances related to operations <i>(Note 7)</i>	(970)	–
Net cash used in operating activities	(7,644)	–
Financing activities		
Contributions by partners <i>(Note 7)</i>	107,398	1
Notes payable	315,870	–
Net cash from financing activities	423,268	1
Investing activities		
Transfer of assets <i>(Note 7)</i>	(423,268)	–
Net cash used in investing activities	(423,268)	–
Net change in inter-company balances	(7,644)	1
Inter-company receivable, beginning of year	1	–
Inter-company payable, end of year	(7,643)	1

See accompanying notes to Financial Statements.

B2M LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2014 and the period from March 22, 2013 to December 31, 2013

1. DESCRIPTION OF THE BUSINESS

B2M Limited Partnership (B2M LP or the Partnership) was formed on March 22, 2013, under the laws of the Province of Ontario. B2M LP is 65.71% owned by B2M GP Inc. (B2M GP or the General Partner), 34.19% owned by the Chippewas of Nawash First Nation and the Chippewas of Saugeen First Nation, collectively referred to as the Saugeen Ojibway Nation (SON), and 0.1% owned by Hydro One B2M LP Inc. (HO B2M LP). Both, B2M GP and HO B2M LP are indirectly owned by Hydro One Inc. (Hydro One), and ultimately owned by the Province of Ontario (Province). The principal business of the Partnership is the operation, management and maintenance of an electricity transmission line (Bruce to Milton Line) in southwestern Ontario, from the Bruce Power facility in Kincardine to Hydro One's Milton Switching Station in the Town of Milton. On December 16, 2014, Hydro One's subsidiary, Hydro One Networks Inc., transferred the Bruce to Milton Line transmission assets totalling \$526 million to B2M LP. The asset transfer was financed by 60% debt (\$316 million) and 40% equity (\$210 million). The transfer of Bruce to Milton Line transmission assets is a common control transaction as Hydro One controlled these assets before and after the transfer.

B2M LP is managed by its general partner, B2M GP. The General Partner was incorporated on March 22, 2013, under the *Business Corporations Act* (Ontario). B2M GP holds the general partner interests and carries out the general partner responsibilities of B2M LP.

The electricity rates of the Partnership are regulated by the Ontario Energy Board (OEB).

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

These Financial Statements are prepared and presented in accordance with the accounting policies summarized below and in Canadian dollars. These policies are consistent with United States (US) Generally Accepted Accounting Principles (GAAP), with the exception that (1) the Financial Statements were not prepared as though the transfer of the Bruce to Milton Line transmission assets had occurred at the beginning of the year in which the transfer occurred and (2) the comparative year information has not been retrospectively adjusted, as required under US GAAP for common control transactions. These Financial Statements have been prepared to provide the financial position, results of operations and cash flows of the Partnership from the date of the transfer of the Bruce to Milton Line transmission assets on December 16, 2014. As a result, the financial statements may not be suitable for any other purpose.

The Partnership performed an evaluation of subsequent events through to March 9, 2015, the date these financial statements were available to be issued, to determine whether any events or transactions warranted recognition and disclosure in these financial statements. No such events or transactions were identified.

Use of Management Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains and losses during the reporting periods. Management evaluates these estimates on an on-going basis based upon: historical experience; current conditions; and assumptions believed to be reasonable at the time the assumptions are made with any adjustments being recognized in results of operations in the period they arise. Significant estimates relate to asset impairments. Actual results may differ significantly from these estimates, which may be impacted by future decisions made by the OEB or the Province.

Rate Setting

The Partnership uses US GAAP for rate setting and regulatory accounting and reporting.

B2M LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2014 and the period from March 22, 2013 to December 31, 2013

In October, 2014, B2M LP filed an application with the OEB for an interim transmission rate, effective January 1, 2015, seeking the approval of a revenue requirement of \$41 million in 2015. This rate is equal to the amount included in Hydro One's transmission rates for the Bruce to Milton Line transmission assets, resulting in no change to overall Uniform Transmission Rates. The interim Rate Order was approved by the OEB on December 11, 2014. The 2015 interim Rate Order revenue requirement, prorated for number of days the Partnership owned the Bruce to Milton Line transmission assets in 2014, was used in 2014.

Regulatory Accounting

The OEB has the general power to include or exclude revenues, costs, gains or losses in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated company. Such change in timing involves the application of rate-regulated accounting, giving rise to the recognition of regulatory assets and liabilities. The regulatory assets represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. The regulatory liabilities generally represent amounts that are refundable to future customers. At December 31, 2014 or 2013, B2M LP had no regulatory assets or liabilities.

Revenue Recognition

Revenues are collected through OEB-approved rates, which are based on an approved revenue requirement that includes a rate of return. Such revenue is recognized as electricity is transmitted and delivered to customers.

Income Taxes

As a limited partnership, B2M LP is not a taxable entity for federal and provincial income tax purposes. Accordingly, no current or deferred tax expenses are recognized in the Partnership's financial statements. Tax on B2M LP's net income is borne by B2M GP and HO B2M LP through the allocation of taxable income. The SON is a tax exempt entity and as such, is not subject to tax.

Property, Plant and Equipment

Property, plant and equipment is recorded at original cost, net of any accumulated impairment losses. The cost of additions, including betterments and replacements of asset components, is included on the Balance Sheets as property, plant and equipment.

The original cost of property, plant and equipment includes direct materials, direct labour, contracted services, attributable capitalized financing costs, asset retirement costs, and direct and indirect overheads that are related to the capital project or program. Indirect overheads include a portion of corporate costs such as finance, treasury, human resources, information technology and executive costs. Overhead costs, including corporate functions and field services costs, are capitalized on a fully allocated basis, consistent with an OEB-approved methodology.

Transmission assets include assets used for the transmission of high-voltage electricity, such as transmission lines, support structures, foundations, insulators, connecting hardware and grounding systems, and assets used to step up the voltage of electricity from generating stations for transmission and to step down voltages for distribution, including transformers, circuit breakers and switches.

Depreciation

The cost of property, plant and equipment is depreciated on a straight-line basis based on the estimated remaining service life of each asset category. The average service life and depreciation rates for the Partnership's assets are as follows:

Average Service Life	77 years
Depreciation Rates – Range	1% – 2%
Depreciation Rates – Average	1%

B2M LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2014 and the period from March 22, 2013 to December 31, 2013

In accordance with group depreciation practices, the original cost of property, plant and equipment, or major components thereof, that are normally retired, is charged to accumulated depreciation, with no gain or loss being reflected in results of operations. Where a disposition of property, plant and equipment occurs through sale, a gain or loss is calculated based on proceeds and such gain or loss is included in depreciation expense. Depreciation expense also includes the costs incurred to remove property, plant and equipment.

Long-Lived Asset Impairment

When circumstances indicate the carrying value of long-lived assets may not be recoverable, the Partnership evaluates whether the carrying value of such assets has been impaired. For such long-lived assets, impairment exists when the carrying value exceeds the sum of the future estimated undiscounted cash flows expected to result from the use and eventual disposition of the asset. When alternative courses of action to recover the carrying amount of a long-lived asset are under consideration, a probability-weighted approach is used to develop estimates of future undiscounted cash flows. If the carrying value of the long-lived asset is not recoverable based on the estimated future undiscounted cash flows, an impairment loss is recorded, measured as the excess of the carrying value of the asset over its fair value. As a result, the asset's carrying value is adjusted to its estimated fair value.

The carrying costs of B2M LP's long-lived assets are included in rate base where they earn an OEB-approved rate of return. Asset carrying values and the return are recovered through approved rates. As a result, such assets are only tested for impairment in the event that the OEB disallows recovery, in whole or in part, or if such a disallowance is judged to be probable. As at December 31, 2014, no asset impairment had been recorded.

Financial Assets and Liabilities

All financial assets and liabilities are classified into one of the following five categories: held-to-maturity investments; loans and receivables; held-for-trading; other liabilities; or available-for-sale. Financial assets and liabilities classified as held-for-trading are measured at fair value. All other financial assets and liabilities are measured at amortized cost, except accounts receivable which are measured at the lower of cost or fair value. Accounts receivable are classified as loans and receivables. The Partnership considers the carrying amount of accounts receivable to be a reasonable estimate of fair value because of the short time to maturity of these instruments. Provisions for impaired accounts receivable are recognized as adjustments to the allowance for doubtful accounts and are recognized when there is objective evidence that the Partnership will not be able to collect amounts according to the original terms. The Partnership determines the classification of its financial assets and liabilities at the date of initial recognition.

3. NOTE PAYABLE

Note payable represents a promissory note payable to B2M GP. The note was issued on December 17, 2014, with a face amount of \$387,870 thousand and interest at a rate of 4.75% per annum. The Partnership repaid \$72,000 thousand of the note on December 17, 2014, resulting in amount outstanding of \$315,870 thousand at December 31, 2014.

The note is payable on demand but no later than December 16, 2016. The Partnership plans to repay the note by December 31, 2015, with financing to be provided by a trust wholly-owned by Hydro One. Accordingly, at December 31, 2014, the note has been classified as a current liability on the Balance Sheet.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value is considered to be the exchange price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. The fair value definition focuses on an exit price, which is the price that would be received in the sale of an asset or the amount that would be paid to transfer a liability.

The Partnership classifies its fair value measurements based on the following hierarchy, as prescribed by the accounting guidance for fair value, which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

B2M LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2014 and the period from March 22, 2013 to December 31, 2013

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Partnership has the ability to access. An active market for the asset or liability is one in which transactions for the asset or liability occurs with sufficient frequency and volume to provide ongoing pricing information.

Level 2 inputs are those other than quoted market prices that are observable, either directly or indirectly, for an asset or liability. Level 2 inputs include, but are not limited to, quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted market prices that are observable for the asset or liability, such as interest rate curves and yield curves observable at commonly quoted intervals, volatilities, credit risk and default rates. A Level 2 measurement cannot have more than an insignificant portion of the valuation based on unobservable inputs.

Level 3 inputs are any fair value measurements that include unobservable inputs for the asset or liability for more than an insignificant portion of the valuation. A Level 3 measurement may be based primarily on Level 2 inputs.

Non-Derivative Financial Assets and Liabilities

At December 31, 2014, the carrying amounts of accounts receivable, inter-company payable, and note payable are representative of fair value because of the short-term nature of these instruments.

Fair Value Hierarchy

Fair value hierarchy information for financial assets and liabilities at December 31, 2014 was as follows:

<i>December 31, 2014 (thousands Canadian dollars)</i>	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Liabilities:					
Inter-company payable	7,643	7,643	7,643	–	–
Note payable	315,870	315,870	315,870	–	–
	323,513	323,513	323,513	–	–

There were no significant transfers between any of the levels during the years ended December 31, 2014.

Risk Management

Exposure to market risk, credit risk and liquidity risk arises in the normal course of the Partnership's business.

Market Risk

Market risk refers primarily to the risk of loss that results from changes in commodity prices, foreign exchange rates and interest rates. The Partnership does not have market risk.

Credit Risk

Financial assets create a risk that a counterparty will fail to discharge an obligation, causing a financial loss. At December 31, 2014, there were no significant concentrations of credit risk with respect to any class of financial assets. The Partnership did not earn a significant amount of revenue from any individual customer. At December 31, 2014, there was no significant accounts receivable balance due from any single customer.

Liquidity Risk

Liquidity risk refers to the Partnership's ability to meet its financial obligations as they come due. The Partnership meets its short-term liquidity requirements through the inter-company payable with Hydro One and funds from operations. The short-term liquidity available to the Partnership should be sufficient to fund normal operating requirements.

B2M LIMITED PARTNERSHIP**NOTES TO FINANCIAL STATEMENTS (continued)**

For the year ended December 31, 2014 and the period from March 22, 2013 to December 31, 2013

At December 31, 2014, accrued liabilities in the amount of \$70 thousand (2013 – \$nil) were expected to be settled in cash at their carrying amounts within the next year.

At December 31, 2014, the principal amount and accrued interest on the note payable were \$315,870 thousand (2013 – \$nil) and \$617 thousand (2013 – \$nil), respectively, to be repaid within the next 12 months.

5. PARTNERS' EQUITY

B2M LP is authorized to issue an unlimited number of Class A and Class B units. The Class A and Class B units are voting and participate equally in profits, losses and capital distributions of B2M LP. The Class A and Class B units are equal with respect to all rights, benefits obligations and limitations provided under the Limited Partnership Agreement. Any units issued by B2M LP must be first offered to the existing partners in proportion to their ownership interests. At December 31, 2014, B2M LP had 188,579,358 Class A units issued and outstanding, and 22,000,000 Class B units issued and outstanding.

As the SON is a tax exempt entity, the amount of income or loss corresponding to taxes recovered in transmission rates is allocated to the taxable partners, B2M GP and HO B2M LP (Hydro One Partners), and the remaining balance is allocated to all partners in proportion to their ownership interests.

At December 31, 2014, partners' equity was allocated to the SON and the Hydro One Partners as follows:

<i>Year ended December 31, 2014</i> <i>(thousands of Canadian dollars, except number of units)</i>	SON	Hydro One Partners	Total
Class A Units			
Class A – number of units – December 31, 2014	50,000,000	138,579,358	188,579,358
Class A unit value – January 1, 2014	–	1	1
Contributions by partners	50,000	138,578	188,578
Net loss and comprehensive loss	(1,156)	(5,298)	(6,454)
Class A unit value – December 31, 2014	48,844	133,281	182,125
Class B Units			
Class B – number of units – December 31, 2014	22,000,000	–	22,000,000
Class A unit value – January 1, 2014	–	–	–
Contributions by partners	22,000	–	22,000
Net loss and comprehensive loss	(509)	–	(509)
Class B unit value – December 31, 2014	21,491	–	21,491
Total partners' equity			
Number of units – December 31, 2014	72,000,000	138,579,358	210,579,358
Partners' equity – January 1, 2014	–	1	1
Contributions by partners	72,000	138,578	210,578
Net loss and comprehensive loss	(1,665)	(5,298)	(6,963)
Partners' equity – December 31, 2014	70,335	133,281	203,616

B2M LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2014 and the period from March 22, 2013 to December 31, 2013

6. RELATED PARTY TRANSACTIONS

The Partnership is 65.81% indirectly owned by Hydro One and 34.19% owned by the SON. Hydro One is owned by the Province. The Independent Electricity System Operator (IESO) is a related party to the Partnership because it is controlled or significantly influenced by the Province. Transactions between the IESO and the Partnership are as follows:

The Partnership earns revenues for transmission services from the IESO, based on uniform transmission rates approved by the Ontario Energy Board (OEB). Revenues from the IESO in 2014 were \$1,657 thousand (2013 – \$nil). At December 31, 2014, included in accounts receivable were amounts due from the IESO of \$1,657 thousand (2013 – \$nil).

Hydro One and Subsidiaries

Hydro One and its subsidiaries paid for expenses of the Partnership which will be reimbursed by the Partnership. Amounts due to or from Hydro One and its subsidiaries by the Partnership are included in the inter-company payable or receivable. At December 31, 2014, the Partnership had an inter-company payable balance of \$7,643 thousand (2013 – receivable of \$1 thousand).

The Partnership's note payable is due to B2M GP. Financing charges include interest expense on the note payable in the amount of \$617 thousand (2013 – \$nil). At December 31, 2014, the Partnership had accrued interest payable to B2M GP totaling \$617 thousand (2013 – \$nil).

7. STATEMENTS OF CASH FLOWS

The changes in non-cash balances related to operations consist of the following:

	Year ended December 31, 2014	Period from March 22 to December 31, 2013
<i>(thousands of Canadian dollars)</i>		
Accounts receivable	(1,657)	–
Accrued liabilities	70	–
Accrued interest	617	–
	(970)	–

Transfer of Assets

The following table illustrates the reconciliation between the Bruce to Milton Line transmission assets transferred from Hydro One Networks Inc. to B2M LP and the cash and non-cash consideration paid for the transfer of these assets:

<i>Year ended December 31 (millions of Canadian dollars)</i>	2014
Cash consideration:	
Financed by note payable to B2M GP	315,870
Financed by issuance of Class A and Class B units	107,398
Total cash consideration paid	423,268
Non-cash consideration:	
Class A units issued directly as consideration for transfer of assets	103,180
Total consideration paid for transfer of assets	526,448
Total assets transferred	526,448

B2M LP

Pro Forma Statement of Income
Historic Year (2014) and Test Years (2015 to 2019)
Year Ending December 31
(\$ Millions)

Line No.	Particulars	2014 (a)	2015 (b)	2016 (c)	2017 (d)	2018 (e)	2019 (f)
<u>Revenues</u>							
1	Retail power & energy	1.7	43.4	45.0	45.6	47.3	46.6
2	Commodity flow-through	-	-	-	-	-	-
3	LV	-	-	-	-	-	-
4	Other	-	-	-	-	-	-
5		<u>1.7</u>	<u>43.4</u>	<u>45.0</u>	<u>45.6</u>	<u>47.3</u>	<u>46.6</u>
<u>Costs</u>							
6	OM&A	7.7	1.8	1.2	1.2	2.5	1.5
7	Cost of power	-	-	-	-	-	-
8	Depreciation	0.3	6.8	6.8	6.8	6.8	6.8
9	Capital tax	-	-	-	-	-	-
10		<u>8.0</u>	<u>8.6</u>	<u>8.0</u>	<u>8.0</u>	<u>9.3</u>	<u>8.3</u>
11	Earnings before interest and income tax	<u>(6.3)</u>	<u>34.8</u>	<u>37.0</u>	<u>37.5</u>	<u>38.1</u>	<u>38.3</u>
12	Interest expense	0.6	15.0	14.8	15.0	15.1	15.3
13	Earnings before income tax	<u>(7.0)</u>	<u>19.8</u>	<u>22.3</u>	<u>22.5</u>	<u>23.0</u>	<u>23.0</u>
14	Income tax	-	0.4	0.4	0.4	0.9	1.1
15	Net income	<u>(7.0)</u>	<u>19.4</u>	<u>21.9</u>	<u>22.1</u>	<u>22.1</u>	<u>21.9</u>

1 **SUMMARY OF BOARD DIRECTIVES AND UNDERTAKINGS FROM**
2 **PREVIOUS PROCEEDINGS**

3
4 Table 1 identifies the Board directive from its EB-2014-0330 Decision and Interim
5 Order.

6
7 **Table 1**
8 **Directives from Proceeding EB-2014-0330 (2015 Interim Rates)**

Item #	Issue	Summary of Directive	Reference Exhibit
(i)	COS Application Ordered	B2M LP shall file a full cost of service transmission rate application for final revenue requirement and rates, no later than April 1, 2015.	Entire Application

1 **PROCEDURAL ORDERS/CORRESPONDENCE/NOTICES**

2

3 To be filed behind this tab as and when the Procedural Orders/Correspondence/Notices
4 are issued.

1 **DRAFT ISSUES LIST**

2
3 **GENERAL**

4 1) Has B2M LP responded appropriately to all relevant Board directions from previous
5 proceedings?

6 2) Is the overall increase in 2015 to 2019 revenue requirement reasonable?
7

8 **APPLICATION FRAMEWORK**

9 3) Is the proposed framework of a five year cost of service application appropriate?

10 4) Are B2M LP's proposed annual adjustments appropriate?

11 5) Is the monitoring and reporting of performance proposed by B2M LP adequate to
12 demonstrate whether the planned outcomes are achieved?
13

14 **OPERATIONS MAINTENANCE and ADMINISTRATION COSTS**

15 6) Are the proposed spending levels for OM&A in 2015 to 2019 appropriate, including
16 consideration of factors such as system reliability and asset condition?

17 7) Are the methodologies used to allocate common corporate costs for 2015 to 2019
18 appropriate?
19

20 **CAPITAL EXPENDITURES and RATE BASE**

21 8) Are the amounts proposed for rate base in 2015 to 2019 appropriate?
22

23 **REVENUE REQUIREMENT**

24 9) Are the business assumptions and policies used by B2M LP to develop and allocate its
25 revenue requirements appropriate?

26 10) Is the capital structure and cost of capital component of the revenue requirement for
27 2015 appropriate?

1 11) Is the depreciation component of the revenue requirement for 2015 to 2019
2 appropriate?

3 12) Is the taxes / PILs component of the revenue requirement for 2015 to 2019
4 appropriate?

5 13) Is the proposed recovery of start-up and development costs appropriate? Is the
6 proposed smoothing methodology for the start-up and development costs over the test
7 years appropriate?

8

9 **DEFERRAL/VARIANCE ACCOUNTS**

10 14) Are the proposed new Deferral and Variance Accounts appropriate?

11

12 **COST ALLOCATION**

13 15) Is the cost allocation proposed by B2M LP appropriate?

LIST OF WITNESSES

1

2

3 To be filed behind this tab if the Board determines that an oral hearing is required.

1 **CURRICULAE VITAE**
2 **CURRICULUM VITAE OF**
3 **GIOVANNA BARAGETTI**

4
5 **EDUCATION:**

6
7 *McGill University*, Montreal, Quebec
8 Graduate Diploma in Public Accountancy (1992)
9 Bachelor of Commerce (1990)
10

11 **PROFESSIONAL REGISTRATIONS:**

- 12 • Chartered Professional Accountants of Ontario – CPA, CA
13 • Tax Executive Institute, Toronto Chapter, *National Income Tax Committee*
14

15 **INDUSTRY EXPERIENCE:**

16
17 2015 – Present

18 *B2M Trust*, Trustee
19

20 2012 – Present

21 *Hydro One Networks Inc.*

22 2012 – Present V.P. Corporate Tax
23

24 2007 – 2012

25 *Magna International Inc.*

26 2009 – 2012 Director of Tax, Canada & Latin America
27 2007 – 2008 Senior Tax Manager
28

29 2005 – 2007

30 *SNC Lavalin Inc.*

31 2005 – 2007 Director of Canadian Tax
32

33 1992 – 2005

34 *PriceWaterhouseCoopers LLP/ Coopers & Lybrand LLP*

35 2000 – 2005 Senior Manager, International Tax
36 1997 - 2000 Tax Manager
37 1995 - 1997 Senior Associate, Tax
38 1992 - 1995 Senior Associate, Audit
39

40 **INDUSTRY REPRESENTATION:**

41 B2M Limited Partnership, *Member of Advisory Committee*

1 **CURRICULUM VITAE OF**
2 **RANDALL KAHGEE**

3
4 **EDUCATION:**

5
6 *York University*, Toronto, Ontario (1996)
7 Bachelor of Arts with Honors (B.A. Hons)

8
9 *Faculty of Law – University of Toronto*, Toronto, Ontario (2000)
10 Bachelor of Laws (LL.B)

11
12
13 **PROFESSIONAL REGISTRATIONS:**

- 14 • Law Society of Upper Canada
15

16
17 **INDUSTRY EXPERIENCE:**

18
19 2006 – 2014
20 *Chief, Chippewas of Saugeen First Nation*

21
22 2014 - Present
23 *Pape Salter Teillet LLP*

24
25 Pape Salter Teillet LLP is a leading aboriginal rights law firm that does extensive work
26 with First Nations, Métis and Inuit peoples to advance the rights and interests of their
27 communities through self-government, environmental stewardship, agreements with
28 industry, and litigation.

29
30 2014 – Present Affiliated Counsel
31 2000 – 2006 Counsel

1 **CURRICULUM VITAE OF**
2 **MIKE PENSTONE**

3
4 **EDUCATION:**

5
6 **McMaster University**, Hamilton, Ontario (1979)
7 Bachelor of Applied Science in Electrical Engineering.
8

9
10 **INDUSTRY EXPERIENCE:**

11
12 2014 – Present

13 **B2M GP Inc.**

14 2014 – Present Managing Director
15

16
17 1979 – Present

18 **Hydro One Networks Inc. / Ontario Hydro**

19
20 2014 – Present VP Planning
21 2012 – 2014 VP System Investment
22 2010 – 2012 VP Major Projects Coordination and External Relations
23 2008 – 2010 VP Government Relations
24 2005 – 2008 Director System Investment
25 2001 – 2005 Manager Standards and Policy
26 2000 – 2001 Manager Operating Effectiveness
27 1998 – 2000 Manager Operating Effectiveness
28 1983 – 1991 Transmission Engineer / Officer
29 1979 – 1983 Assistant Engineer / Officer
30

31
32 **INDUSTRY REPRESENTATION:**

33
34 North American Electric Reliability Corporation, *Members Representative Committee*
35 Northeast Power Coordination Council, *Board of Directors*
36 North American Transmission Forum, *Board of Directors*
37

38
39 **APPEARANCE(S) BEFORE THE ONTARIO ENERGY BOARD:**

40 **EB-2005-0378:** Hydro One Networks Inc. 2006 Distribution Rate Application

41 **EB-2006-0501:** Hydro One Networks Inc. 2007-2008 Transmission Rate Application

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**CURRICULUM VITAE OF
COLIN SALTER**

EDUCATION:

University of British Columbia, Vancouver, British Columbia (1993)

Bachelor of Arts (B.A.)

Osgood Hall Law School - York University, Toronto, Ontario (1997)

Bachelor of Laws (LL.B)

PROFESSIONAL REGISTRATIONS:

- Law Society of Upper Canada
- Law Society of the Northwest Territories
- Law Society of Yukon

INDUSTRY EXPERIENCE:

1999 – Present

Pape Salter Teillet LLP

Pape Salter Teillet LLP is a leading aboriginal rights law firm that does extensive work with First Nations, Métis and Inuit peoples to advance the rights and interests of their communities through self-government, environmental stewardship, agreements with industry, and litigation.

2013 – Present Partner

1999 – 2012 Counsel

1 **CURRICULUM VITAE OF**
2 **JEFFREY SMITH**

3
4 **EDUCATION:**

5
6 *Ivey School of Business at the University of Western Ontario*, London, Ontario (1987)
7 Master of Business Administration

8
9 *University of Western Ontario*, London, Ontario (1985)
10 Bachelor of Arts, Economics

11
12
13 **INDUSTRY EXPERIENCE:**

14
15 February 2000 – Present

16 *Hydro One Networks Inc. /Ontario Hydro Services Company*

17
18 2012 - Present Director, Business Performance, Corporate & Regulatory Affairs
19 2011-2012 Director, Outsourcing Services, Financial & Corporate Support
20 2007-2011 Program Manager, Cornerstone, Corporate Projects
21 2005-2007 Manager, Project Management & Control, Information Solutions
22 2002-2005 Manager, Inergi Finance / Outsourcing, Corporate Finance
23 2000-2002 Senior Advisor, Decision Support, Corporate Finance

24
25
26 October 1997 - February 2000

27 *Union Gas Limited*

28
29 1997-1998 Senior Analyst, Financial Studies

30 1998-2000 Analyst, Cost Allocation and Rate Design

31
32
33 **INDUSTRY REPRESENTATION:**

34
35 B2M Limited Partnership, *Member of Advisory Committee*

36 Ontario Energy Association, *Member of the Regulatory Committee*

37
38
39 **APPEARANCE(S) BEFORE THE ONTARIO ENERGY BOARD:**

40 **EB-2012-0047:** Horizon Utilities Corporation Service Area Amendment Application

1 **COST OF CAPITAL**

2
3 **1.0 INTRODUCTION**

4
5 The purpose of this evidence is to summarize the method and cost of financing B2M LP's
6 capital requirements for the 2015 to 2019 test years.

7
8 **2.0 CAPITAL STRUCTURE**

9
10 B2M LP has applied the deemed capital structure of 60% debt and 40% common equity, as
11 affirmed by the Board in EB-2009-0084 proceeding issued on December 11, 2009, in
12 determining its estimated revenue requirement for 2015 to 2019.

13
14 **3.0 RETURN ON COMMON EQUITY**

15
16 B2M LP is requesting an equity return of 9.30% for the 2015 test year, 9.68% for 2016,
17 9.93% for 2017, 10.03% for 2018 and 10.08% for 2019. The equity returns for 2015 reflect
18 the Board's approved equity return per its November 20, 2014 guidance on cost of capital
19 reflecting the September 2014 Consensus Forecast.

20
21 The Company assumes that the return on equity ("ROE") for the 2016 to 2019 test years will
22 be updated in accordance with the Cost of Capital Report, upon the final decision in this
23 case. Specifically, the 2016 to 2019 ROE would be updated to reflect the September
24 Consensus Forecasts and Bank of Canada data available in October of the preceding year as
25 part of the Draft Rate Order for those test years.

1 **4.0 DEEMED SHORT-TERM DEBT**

2
3 The Board has determined that the deemed amount of short-term debt that should be factored
4 into rate setting be fixed at 4% of rate base. B2M LP's evidence reflects this amount of
5 short-term debt for rate making purposes. The evidence reflects a Return on Short Term
6 Debt of 2.16% for 2015. Estimated short-term debt rates for 2016 to 2019 are shown in
7 Table 1. These rates will be updated each year for 2016 to 2019 based on the Cost of Capital
8 Parameter Updates issued by the Board in November each year as part of the annual UTR
9 update.

10
11 **5.0 DEEMED LONG-TERM DEBT**

12
13 The Board has determined that the deemed amount of long-term debt that should be factored
14 into rate setting be fixed at 56% of rate base. The long term debt rate is calculated to be
15 3.38% for 2015, which is a blended long term debt rate based on Hydro One Transmission's
16 long term debt rate calculation for 2015 approved in EB-2014-0140 for the period of January
17 1st to June 30th and the new long term debt rate for the remaining period of 2015. Following
18 the transfer of assets, B2M LP issued a note bearing Hydro One Transmission's weighted
19 average debt rate. **This note is being replaced with a note issued by B2M LP reflecting**
20 **an actual 5-year note issued by Hydro One Inc. to third party public debt investors in**
21 **the second quarter of 2015.**

22
23
24 Forecast interest rates will be updated consistent with the methodology described above for
25 the return on common equity and deemed short term interest rate.

1 **6.0 COST OF CAPITAL SUMMARY**

2
 3 Calculation of B2M LP's 2015 to 2019 cost of capital is shown in Table 1:

4 **Table 1**
 5 **2015 to 2019 Cost of Capital**

2015				
Amount of Deemed Return	(\$M)	%	Cost Rate (%)	Return (\$M)
Long-term debt	292.7	56.0%	3.38%	9.9
Short-term debt	20.9	4.0%	2.16%	0.5
Common equity	209.1	40.0%	9.30%	19.4
Total	522.8	100.0%	5.70%	29.8
2016				
Amount of Deemed Return	(\$M)	%	Cost Rate (%)	Return (\$M)
Long-term debt	288.9	56.0%	1.80%	5.2
Short-term debt	20.6	4.0%	1.96%	0.4
Common equity	206.4	40.0%	9.68%	20.0
Total	516.0	100.0%	4.96%	25.6
2017				
Amount of Deemed Return	(\$M)	%	Cost Rate (%)	Return (\$M)
Long-term debt	285.1	56.0%	1.80%	5.1
Short-term debt	20.4	4.0%	3.97%	0.8
Common equity	203.7	40.0%	9.93%	20.2
Total	509.2	100.0%	5.14%	26.1
2018				
Amount of Deemed Return	(\$M)	%	Cost Rate (%)	Return (\$M)
Long-term debt	281.3	56.0%	1.79%	5.0
Short-term debt	20.1	4.0%	4.71%	0.9
Common equity	200.9	40.0%	10.03%	20.1
Total	502.4	100.0%	5.20%	26.1
2019				
Amount of Deemed Return	(\$M)	%	Cost Rate (%)	Return (\$M)
Long-term debt	277.5	56.0%	1.79%	5.0
Short-term debt	19.8	4.0%	4.71%	0.9
Common equity	198.2	40.0%	10.08%	20.0
Total	495.6	100.0%	5.22%	25.9

6
 7 Test Year debt and equity summary schedules are provided at Exhibit B2, Tab 1, Schedule 1.

B2M LP
 Debt and Equity Summary
 Historical (2014) & Test (2015 to 2019) Years
 Utility Capital Structure
 Year Ending December 31

Line No.	Particulars	2014				2015				2016				2017				2018				2019			
		(\$M)	%	Cost Rate (%)	Return (\$M)	(\$M)	%	Cost Rate (%)	Return (\$M)	(\$M)	%	Cost Rate (%)	Return (\$M)	(\$M)	%	Cost Rate (%)	Return (\$M)	(\$M)	%	Cost Rate (%)	Return (\$M)	(\$M)	%	Cost Rate (%)	Return (\$M)
		(a)	(b)	(c)	(d)	(a)	(b)	(c)	(d)	(a)	(b)	(c)	(d)	(a)	(b)	(c)	(d)	(a)	(b)	(c)	(d)	(a)	(b)	(c)	(d)
1	Long-term debt	294.7	56.0%	4.94%	14.5	292.7	56.0%	3.38%	9.9	288.9	56.0%	1.80%	5.2	285.1	56.0%	1.80%	5.1	281.3	56.0%	1.79%	5.0	277.5	56.0%	1.79%	5.0
2	Short-term debt	21.1	4.0%	2.11%	0.4	20.9	4.0%	2.16%	0.5	20.6	4.0%	1.96%	0.4	20.4	4.0%	3.97%	0.8	20.1	4.0%	4.71%	0.9	19.8	4.0%	4.71%	0.9
3	Total debt	315.8	60.0%	4.75%	15.0	313.7	60.0%	3.30%	10.3	309.6	60.0%	1.81%	5.6	305.5	60.0%	1.94%	5.9	301.4	60.0%	1.99%	6.0	297.3	60.0%	1.98%	5.9
4	Common equity	210.5	40.0%	9.36%	19.7	209.1	40.0%	9.30%	19.4	206.4	40.0%	9.68%	20.0	203.7	40.0%	9.93%	20.2	200.9	40.0%	10.03%	20.1	198.2	40.0%	10.08%	20.0
5	Total rate base	526.3	100.0%	6.59%	34.7	522.8	100.0%	5.70%	29.8	516.0	100.0%	4.96%	25.6	509.2	100.0%	5.14%	26.1	502.4	100.0%	5.20%	26.1	495.6	100.0%	5.22%	25.9

HYDRO ONE NETWORKS INC.
 TRANSMISSION
 Cost of Long-Term Debt Capital
 Test Year (2015)
 Year ending December 31

Line No.	Offering Date	Coupon Rate	Maturity Date	Principal Amount Offered (\$Millions)	Premium Discount and Expenses (\$Millions)	Net Capital Employed		Effective Cost Rate	Total Amount Outstanding		Avg. Monthly Averages (\$Millions)	Carrying Cost (\$Millions)	Projected Average Embedded Cost Rates
						Total Amount (\$Millions)	Per \$100 Principal Amount (Dollars)		at 12/31/14 (\$Millions)	at 12/31/15 (\$Millions)			
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	
1	3-Jun-00	7.350%	3-Jun-30	278.4	4.5	273.9	98.37	7.49%	278.4	278.4	278.4	20.8	
2	22-Jun-01	6.930%	1-Jun-32	109.3	1.3	107.9	98.78	7.03%	109.3	109.3	109.3	7.7	
3	17-Sep-02	6.930%	1-Jun-32	58.0	(2.1)	60.1	103.57	6.65%	58.0	58.0	58.0	3.9	
4	31-Jan-03	6.350%	31-Jan-34	126.0	1.0	125.0	99.21	6.41%	126.0	126.0	126.0	8.1	
5	22-Apr-03	6.590%	22-Apr-43	145.0	1.1	143.9	99.26	6.64%	145.0	145.0	145.0	9.6	
6	25-Jun-04	6.350%	31-Jan-34	72.0	(0.2)	72.2	100.22	6.33%	72.0	72.0	72.0	4.6	
7	20-Aug-04	6.590%	22-Apr-43	39.0	(3.1)	42.1	107.89	6.06%	39.0	39.0	39.0	2.4	
8	24-Aug-04	6.350%	31-Jan-34	39.0	(1.4)	40.4	103.48	6.09%	39.0	39.0	39.0	2.4	
9	19-May-05	5.360%	20-May-36	228.9	8.7	220.2	96.19	5.62%	228.9	228.9	228.9	12.9	
10	3-Mar-06	4.640%	3-Mar-16	210.0	1.0	209.0	99.52	4.70%	210.0	210.0	210.0	9.9	
11	24-Apr-06	5.360%	20-May-36	187.5	2.5	185.0	98.68	5.45%	187.5	187.5	187.5	10.2	
12	22-Aug-06	4.640%	3-Mar-16	60.0	0.8	59.2	98.75	4.80%	60.0	60.0	60.0	2.9	
13	19-Oct-06	5.000%	19-Oct-46	30.0	0.2	29.8	99.29	5.04%	30.0	30.0	30.0	1.5	
14	13-Mar-07	4.890%	13-Mar-37	240.0	1.3	238.7	99.45	4.93%	240.0	240.0	240.0	11.8	
15	18-Oct-07	5.180%	18-Oct-17	225.0	0.8	224.2	99.63	5.23%	225.0	225.0	225.0	11.8	
16	3-Mar-08	5.180%	18-Oct-17	180.0	(3.1)	183.1	101.73	4.95%	180.0	180.0	180.0	8.9	
17	3-Mar-09	6.030%	3-Mar-39	195.0	1.2	193.8	99.41	6.07%	195.0	195.0	195.0	11.8	
18	16-Jul-09	5.490%	16-Jul-40	210.0	1.4	208.6	99.36	5.53%	210.0	210.0	210.0	11.6	
19	15-Mar-10	5.490%	24-Jul-40	120.0	(0.7)	120.7	100.58	5.45%	120.0	120.0	120.0	6.5	
20	15-Mar-10	4.400%	4-Jun-20	180.0	0.8	179.2	99.55	4.46%	180.0	180.0	180.0	8.0	
21	13-Sep-10	2.950%	11-Sep-15	150.0	0.6	149.4	99.62	3.03%	150.0	0.0	103.8	3.1	
22	13-Sep-10	5.000%	19-Oct-46	150.0	(0.4)	150.4	100.25	4.98%	150.0	150.0	150.0	7.5	
23	26-Sep-11	4.390%	26-Sep-41	205.0	1.3	203.7	99.35	4.43%	205.0	205.0	205.0	9.1	
24	22-Dec-11	4.000%	22-Dec-51	70.0	0.4	69.6	99.47	4.03%	70.0	70.0	70.0	2.8	
25	13-Jan-12	3.200%	13-Jan-22	154.0	0.8	153.2	99.47	3.26%	154.0	154.0	154.0	5.0	
26	22-May-12	3.200%	13-Jan-22	165.0	(1.6)	166.6	100.97	3.08%	165.0	165.0	165.0	5.1	
27	22-May-12	4.000%	22-Dec-51	68.8	0.3	68.4	99.51	4.02%	68.8	68.8	68.8	2.8	
28	31-Jul-12	3.790%	31-Jul-62	52.5	0.3	52.2	99.47	3.81%	52.5	52.5	52.5	2.0	
29	16-Aug-12	3.790%	31-Jul-62	141.0	1.1	139.9	99.20	3.83%	141.0	141.0	141.0	5.4	
30	9-Oct-13	4.590%	9-Oct-43	239.3	1.4	237.9	99.42	4.63%	239.3	239.3	239.3	11.1	
31	9-Oct-13	2.780%	9-Oct-18	412.5	1.7	410.8	99.59	2.87%	412.5	412.5	412.5	11.8	
32	29-Jan-14	4.290%	29-Jan-64	30.0	0.2	29.8	99.44	4.32%	30.0	30.0	30.0	1.3	
33	3-Jun-14	4.170%	3-Jun-44	198.0	1.2	196.8	99.40	4.21%	198.0	198.0	198.0	8.3	
34	15-Mar-15	4.771%	15-Mar-45	159.3	0.8	158.6	99.50	4.80%	0.0	159.3	122.6	5.9	
35	15-Jun-15	3.905%	15-Jun-25	159.3	0.8	158.6	99.50	3.97%	0.0	159.3	85.8	3.4	
36	15-Sep-15	3.046%	15-Sep-20	159.3	0.8	158.6	99.50	3.15%	0.0	159.3	49.0	1.5	
37	Subtotal								4969.1	5297.1	5180.3	253.4	
38	Treasury OM&A costs											1.6	
39	Other financing-related fees											2.9	
40	Total								<u>4969.1</u>	<u>5297.1</u>	<u>5180.3</u>	<u>257.9</u>	<u>4.98%</u>

B2M LP
 Cost of Long-Term Debt Capital
 Test Year (2015)
 Year ending December 31

Line No.	Offering Date	Coupon Rate	Maturity Date	Principal Amount Offered (\$Millions)	Premium Discount and Expenses (\$Millions)	Net Capital Employed		Effective Cost Rate	Total Amount Outstanding		Avg. Monthly Averages (\$Millions)	Carrying Cost (\$Millions)	Projected Average Embedded Cost Rates
						Total Amount (\$Millions)	Per \$100 Principal Amount (Dollars)		at 12/31/14 (\$Millions)	at 12/31/15 (\$Millions)			
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	
1	30-Jun-15	1.640%	30-Apr-20	293.0	1.1	291.9	99.64	1.72%	0.0	293.0	293.0	5.0	
2	Subtotal								0.0	293.0	293.0	5.0	
3	Treasury OM&A costs											0.1	
4	Other financing-related fees											0.2	
5	Total								<u>0.0</u>	<u>293.0</u>	<u>293.0</u>	<u>5.3</u>	<u>1.80%</u>

Blended WACC 3.38%

B2M LP
 Cost of Long-Term Debt Capital
 Test Year (2016)
 Year ending December 31

Line No.	Offering Date (a)	Coupon Rate (b)	Maturity Date (c)	Principal Amount Offered (\$Millions) (d)	Premium Discount and Expenses (\$Millions) (e)	<u>Net Capital Employed</u>		Effective Cost Rate (h)	<u>Total Amount Outstanding</u>		Avg. Monthly Averages (\$Millions) (k)	Carrying Cost (\$Millions) (l)	Projected Average Embedded Cost Rates (m)
						Total Amount (\$Millions) (f)	Per \$100 Principal Amount (Dollars) (g)		at 12/31/15 (\$Millions) (i)	at 12/31/16 (\$Millions) (j)			
1	30-Jun-15	1.640%	30-Apr-20	288.9	1.0	287.9	99.64	1.72%	293.0	293.0	293.0	5.0	
2		Subtotal							293.0	293.0	293.0	5.0	
3		Treasury OM&A costs										0.1	
4		Other financing-related fees										0.2	
5		Total							293.0	293.0	293.0	5.3	1.80%

B2M LP
 Cost of Long-Term Debt Capital
 Test Year (2017)
 Year ending December 31

Line No.	Offering Date (a)	Coupon Rate (b)	Maturity Date (c)	Principal Amount Offered (\$Millions) (d)	Premium Discount and Expenses (\$Millions) (e)	<u>Net Capital Employed</u>		Effective Cost Rate (h)	<u>Total Amount Outstanding</u>		Avg. Monthly Averages (\$Millions) (k)	Carrying Cost (\$Millions) (l)	Projected Average Embedded Cost Rates (m)
						Total Amount (\$Millions) (f)	Per \$100 Principal Amount (Dollars) (g)		at 12/31/16 (\$Millions) (i)	at 12/31/17 (\$Millions) (j)			
1	30-Jun-15	1.640%	30-Apr-20	285.1	1.0	284.1	99.64	1.72%	293.0	293.0	293.0	5.0	
2		Subtotal							293.0	293.0	293.0	5.0	
3		Treasury OM&A costs										0.1	
4		Other financing-related fees										0.2	
5		Total							293.0	293.0	293.0	5.3	1.80%

B2M LP
Cost of Long-Term Debt Capital
Test Year (2018)
Year ending December 31

Line No.	Offering Date (a)	Coupon Rate (b)	Maturity Date (c)	Principal Amount Offered (\$Millions) (d)	Premium Discount and Expenses (\$Millions) (e)	<u>Net Capital Employed</u>		Effective Cost Rate (h)	<u>Total Amount Outstanding</u>		Avg. Monthly Averages (\$Millions) (k)	Carrying Cost (\$Millions) (l)	Projected Average Embedded Cost Rates (m)
						Total Amount (\$Millions) (f)	Per \$100 Principal Amount (Dollars) (g)		at 12/31/17 (\$Millions) (i)	at 12/31/18 (\$Millions) (j)			
1	30-Jun-15	1.640%	30-Apr-20	281.3	1.0	280.3	99.64	1.72%	293.0	293.0	293.0	5.0	
2		Subtotal							293.0	293.0	293.0	5.0	
3		Treasury OM&A costs										0.1	
4		Other financing-related fees										0.1	
5		Total							293.0	293.0	293.0	5.3	1.79%

B2M LP
 Cost of Long-Term Debt Capital
 Test Year (2019)
 Year ending December 31

Line No.	Offering Date (a)	Coupon Rate (b)	Maturity Date (c)	Principal Amount Offered (\$Millions) (d)	Premium Discount and Expenses (\$Millions) (e)	<u>Net Capital Employed</u>		Effective Cost Rate (h)	<u>Total Amount Outstanding</u>		Avg. Monthly Averages (\$Millions) (k)	Carrying Cost (\$Millions) (l)	Projected Average Embedded Cost Rates (m)
						Total Amount (\$Millions) (f)	Per \$100 Principal Amount (Dollars) (g)		at 12/31/18 (\$Millions) (i)	at 12/31/19 (\$Millions) (j)			
1	30-Jun-15	1.640%	30-Apr-20	277.5	1.0	276.5	99.64	1.72%	293.0	293.0	293.0	5.0	
2		Subtotal							293.0	293.0	293.0	5.0	
3		Treasury OM&A costs										0.1	
4		Other financing-related fees										0.1	
5		Total							293.0	293.0	293.0	5.3	1.79%

COST OF SERVICE SUMMARY

1.0 INTRODUCTION

This evidence presents an overview of B2M LP's Cost of Service. As summarized in Exhibit C2, Tab 1, Schedule 1, the Cost of Service includes the following elements, for which the overall costs are shown in Table 1 below:

- Operation, Maintenance and Administrative ("OM&A") Expenses,
- Depreciation and Amortization Expense, and
- Payments in Lieu of Corporate Income Taxes.

Table 1
Costs of Service
(\$ Millions)

Description	Historic Year	Test Year				
	2014	2015	2016	2017	2018	2019
OM&A	7.7	1.8	1.2	1.2	2.5	1.5
Depreciation and Amortization	0.3	6.8	6.8	6.8	6.8	6.8
Income Taxes	0.0	0.4	0.4	0.4	0.9	1.1
Total Cost of Service	8.0	9.0	8.4	8.4	10.2	9.4

2.0 KEY ELEMENTS OF THE COST OF SERVICE

B2M LP's forecast cost of service has been developed to sustain the safe and reliable operation of its transmission assets.

1 **2.1 Operation, Maintenance and Administrative Expenses (OM&A)**

2
3 B2M LP will be managed by its general partner, B2M GP Inc., which will retain Hydro
4 One Networks (“HONI”), under a Service Level Agreement, to plan and organize the
5 operation and maintenance of the assets and provide certain corporate and administrative
6 support as outlined in Table 1 of Exhibit A, Tab 10, Schedule 1.

7
8 OM&A expenses are derived based upon the various work programs and functions
9 performed by or on behalf of the Partnership. These work programs primarily address
10 improvements and upkeep of the assets to maintain their operating condition. The
11 estimated total OM&A expenses for the five year period are \$1.8 million in 2015, \$1.2
12 million in 2016, \$1.2 million in 2017, \$2.5 million in 2018, and \$1.5 million in 2019.
13 Details of the calculation of OM&A costs for the test years are included at Exhibit C1,
14 Tab 2, Schedule 1.

15
16 **2.2 Depreciation and Amortization Expense**

17
18 The depreciation expense for B2M LP was supported by recommendations that Foster
19 Associates Inc. made on the appropriate depreciation rates for the B2M LP assets, based
20 on a methodology consistent with that approved for use by Hydro One Transmission. The
21 estimated depreciation expenses for the five year period are \$6.8 million per year through
22 2019. Supporting evidence for this study is filed at Exhibit C1, Tab 4, Schedule 1 and
23 further detailed in Exhibit C2, Tab 2, Schedule 1.

24
25 **2.3. Payments in Lieu of Corporate Income Taxes**

26
27 Under the *Income Tax Act*, a partnership is not taxable; however it is required to compute
28 its taxable income, which is then allocated to its partners. The estimated Payments in

1 Lieu of Income Taxes, in accordance with *the Electricity Act, 1998*, that will be required
2 to be paid by the partners from the income generated in B2M LP over the five year period
3 are \$0.4 million in 2015, \$0.4 million in 2016, \$0.4 million in 2017, \$0.9 million in 2018,
4 and \$1.1 million in 2019. These amounts reflect the non-taxable status of SON FC.
5 Details of the calculation of Payments in Lieu of Income Taxes are shown in Exhibit C1,
6 Tab 5, Schedule 1.

1 **SUMMARY OF OM&A EXPENDITURES**

2
3 **1.0 SUMMARY OF OM&A EXPENDITURES**

4
5 The proposed Operation, Maintenance, and Administration (“OM&A”) expenses
6 represent the work required to meet public and employee safety objectives, maintain
7 transmission reliability at targeted performance levels, and to comply with regulatory
8 requirements (such as specified within the Transmission System Code), environmental
9 requirements and Government direction.

10
11 Key components in the build-up of OM&A requirements for the period 2015 to 2019 are:

- 12
13 • Service Level Agreement (“SLA”) with Hydro One Transmission, and
14 • Ongoing Incremental Expenses of the Partnership

15
16 It should be noted that on a per asset basis, B2M LP will be a very low cost provider
17 compared to other transmitters in Ontario. This relates primarily to the characteristics of
18 the assets that it holds. B2M LP owns a 500 kV double-circuit transmission line that is
19 predominantly parallel to an existing 500 kV double-circuit line. B2M LP owns no
20 station assets. This type of asset is extremely reliable and has a very low probability of
21 fault or other incident requiring expenditures. Moreover, servicing of this line as
22 required will be efficient given its proximity to the existing circuit.

23
24 Table 1 provides the details associated with those costs:

Table 1
Summary of OM&A
(\$ Millions)

Description	Historic Year	Test Year				
	2014	2015	2016	2017	2018	2019
SLA with Hydro One Transmission						
<i>Operations & Maintenance Expenses</i>	0.0	0.7	0.5	0.5	1.8	0.6
<i>Administrative and Corporate Expenses</i>	0.0	0.2	0.2	0.2	0.2	0.2
Incremental Expenses	0.0	1.0	0.5	0.5	0.5	0.8
Start-Up and Development Costs*	7.7					
Total OM&A	7.7	1.8	1.2	1.2	2.5	1.5

*B2M LP proposes to recover the Start-Up and Development Costs over 4 years at a rate of \$1.925 million per year from 2016 to 2019. Please refer to Exhibit E1, Tab 1, Schedules 1 and 2.

Each of these components is discussed below.

2.0 KEY COMPONENTS IN THE BUILD-UP OF COST OF SERVICE

2.1 Service Level Agreement (“SLA”) with Hydro One Transmission

The bulk of the Operation, Maintenance and Administrative expenses required to satisfy the obligation and objectives of the company arise as the result of a Service Level Agreement executed between Hydro One Networks and B2M GP Inc. on behalf of B2M LP.

All of the costs included in the SLA are costs that would have been incurred by Hydro One Transmission had the assets not transferred to B2M LP. These expenses would have been included in the revenue requirement of Hydro One Transmission for inclusion in the

1 Uniform Transmission Rate but are now included in B2M LP's revenue requirement.
2 Therefore, these SLA expenses cause no change in Uniform Transmission Rates.

3
4 2.1.1 Operation and Maintenance Expenses

5
6 The Operation and Maintenance expenses forecast to be spent related to these assets
7 under the SLA are equivalent to the amounts that were forecast to be spent on the assets
8 when they were owned by Hydro One Transmission. Execution of the work will be
9 unchanged and will have no effects on the continued safe and reliable operation and
10 maintenance of the items.

11
12 The forecast Operation and Maintenance costs for the test years 2015 to 2019 include:

- 13
14 • Monitoring/Control of the transmission system including alarm monitoring, asset
15 monitoring, and minor control;
- 16 • Asset Operation within Hydro One Networks prescribed limits including application
17 of Hydro One Networks equipment directives, switching on Hydro One Networks
18 transmission system to regulate B2M LP 's transmission system;
- 19 • Emergency Response to transmission system events including response to IESO
20 directed emergency actions, and implementation of load shedding;
- 21 • Outage Processing including scheduling, planning, and submitting to IESO;
- 22 • Crew Dispatching including 24/7 assessment, contacting, and dispatching;
- 23 • Record Maintenance including retention of logged items, retention of SCADA
24 information, and trip reports;
- 25 • Power System IT Support of the power system applications used by operators;
- 26 • Line Patrols including thermo-vision, helicopter and foot patrols; and

- Vegetation Management including mandatory NERC patrols, and line clearing/brush control on a 6 year cycle. The next cycle is planned to occur in 2018 so no forestry costs are included in the other test years.

2.1.2 Administrative and Corporate Expense

The Administrative and Corporate Expenses include the costs arising from the support function provided by Hydro One Transmission to B2M LP with respect to administrative services and systems. The investment in those systems and the cost of their operation are incurred by Hydro One Transmission but are allocated to Hydro One Inc. and its affiliates through a cost allocation methodology that has been approved in past filings including Hydro One Transmission's filing in EB-2014-0140.

This methodology provides a cost effective way to lower cost for Hydro One Transmission by spreading the inherent costs of its infrastructure with other companies in the Hydro One family. It also lowers costs for the subsidiaries since they have access to a sophisticated administration infrastructure at a lower cost than if they each built their own unique and independent system. This sharing of cost for a unified infrastructure benefits rate payers through lower rates and has been accepted by the Board in numerous previous proceedings. B2M LP commissioned a study by Black and Veatch in support of the allocation of corporate costs. A copy of this study is attached at Exhibit C1, Tab 3, Schedule 1, Attachment 1.

2.2 Incremental Expenses

There are certain functions that must be executed by B2M LP in order for the company to meet its obligations and objectives that are not currently supported by Hydro One Transmission. These functions and their related expenses are made necessary due to the

1 existence of a new stand-alone transmitter. These costs are shown in Table 2 and
 2 include:

3

- 4 • Insurance;
- 5 • Regulatory expenses; and
- 6 • Retention of a Managing Director and associated administrative expenses.

7

8

9

10

Table 2
Total Incremental OM&A Expenses
(\$ Millions)

Description	Historic Year	Test Year				
	2014	2015	2016	2017	2018	2019
Insurance	0.0	0.1	0.1	0.1	0.1	0.1
Regulatory	0.0	0.3	0.0	0.0	0.0	0.3
Administrative	0.0	0.1	0.1	0.1	0.1	0.1
Managing Director's Office	0.0	0.5	0.2	0.2	0.2	0.2
Total Incremental OM&A	0.0	1.0	0.5	0.5	0.5	0.8

11

12 The Incremental Expenses are in addition to those removed from the revenue requirement
 13 of Hydro One Transmission but they will not have a material effect on the Uniform
 14 Transmission Rates.

1 **COMMON CORPORATE COSTS, COST ALLOCATION**
2 **METHODOLOGY**

3
4 Allocation of Common Corporate Costs to Hydro One’s Distribution and Transmission
5 businesses, to other Hydro One affiliates, and to B2M LP is based on clearly articulated
6 shared functions and services and an established cost allocation approach based on cost
7 causality principles.

8
9 The Common Corporate Costs OM&A programs include the support of Corporate
10 Common Functions and Services (“CCF&S”), Asset Management, Information
11 Technology, and Operating Programs.

12
13 CCF&S include Corporate Management, Finance, Corporate Communications &
14 Services, General Counsel & Secretariat, Regulatory Affairs, Corporate Security, Internal
15 Audit and Real Estate & Facilities.

16
17 Since 2004, in connection with each cost of service application, Hydro One has
18 commissioned a study by Black and Veatch (B&V) to recommend a best practice
19 methodology to allocate common corporate costs among the business entities using the
20 common services. The adopted methodology represents the industry’s best practices,
21 identifying appropriate cost drivers to reflect cost causality and benefits received.

22
23 B&V submitted a study to B2M LP on September 19, 2013. This study is provided in
24 Exhibit C1, Tab 3, Schedule 1, Attachment 1. The external expert evidence is also
25 included as Attachment 2.

26
27 Table 1 shows the allocation of Common Corporate Costs to B2M LP for the test years
28 2015 to 2019.

1
2
3

Table 1
Allocation of Common Corporate Costs to B2M LP
(\$ Millions)

	Test Year				
	2015	2016	2017	2018	2019
Allocation to B2M LP	0.2	0.2	0.2	0.2	0.2

4

1 **REVIEW OF COMMON CORPORATE COST ALLOCATION**

2

3 Attachment 1: Review of Allocation of Common Corporate Costs to B2M Limited
4 Partnership

5 Attachment 2: External Expert Evidence Statement

REVIEW OF ALLOCATION OF COMMON CORPORATE COSTS TO B2M LIMITED PARTNERSHIP

PREPARED FOR

Hydro One Networks Inc.

19 SEPTEMBER 2013

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Exhibit A – Allocation of Common Corporate Costs to B2M Limited Partnership

I. Introduction

A. BACKGROUND

Black & Veatch Corporation (“B&V” or “we”) is pleased to submit to Hydro One Networks Inc. (“Hydro One”) this Report on our Review of Allocation of Common Corporate Costs to B2M Limited Partnership (“B2M Review”).

B. HYDRO ONE COMMON CORPORATE COST ALLOCATION METHODOLOGY

In 2004, B&V was engaged by Hydro One to recommend a best practice methodology to distribute its common corporate costs, including costs incurred under its outsourcing contract with Inergi LP, to Hydro One and its subsidiaries. B&V recommended, Hydro One adopted and the Ontario Energy Board (“OEB”) accepted a methodology to distribute those costs, as described in our *Report on Common Corporate Costs Methodology Review* dated May 20, 2005 (“2005 Common Costs Report”). The OEB-accepted methodology has been applied to Hydro One’s Business Plans, and reviewed by B&V with reports issued, as follows:

B&V REVIEW	BUSINESS PLAN	B&V REPORT
2006 Review	BP 2007-2011	<i>Report on Implementation of Common Corporate Costs Methodology</i> dated May 31, 2006
2008 Review	BP 2009-2013	<i>Report on Implementation of Common Corporate Costs Methodology</i> dated September 10, 2008
2009 Review	BP 2010-2014	<i>Report on Shared Services Costs Methodology</i> dated June 29, 2009
2010 Review	Updated BP 2010-2014	<i>Report on Shared Services Costs Methodology – 2011</i> dated February 26, 2010
2011 Review	BP 2012-2016	<i>Review of Shared Services Cost Allocation – 2011</i> dated August 22, 2011
2012 Review	BP 2012-2016	<i>Review of Shared Services Cost Allocation (Transmission) – 2012</i> dated February 1, 2012

The OEB-accepted methodology to distribute the common corporate costs has been applied by Hydro One to its Business Plan for 2014-19 (“BP 2014-19”) data.

C. APPLICATION OF COST ALLOCATION METHODOLOGY TO B2MLP

B2M Limited Partnership (“B2MLP”) will own the Bruce to Milton Transmission Reinforcement Project (“B2M Line”), and Hydro One will have an ownership interest in, and will provide functions and services to, the B2MLP, as discussed in Section 0. Accordingly, Hydro One has applied the common corporate costs allocation methodology to determine the cost of providing those functions and services to B2MLP. This Report describes the review that B&V performed, at Hydro One’s request, of Hydro One’s allocation of common corporate costs included in its BP 2014-19 to the B2MLP, and presents B&V’s conclusions.

D. SCOPE OF WORK

Consistent with B&V's standard practice for consulting assignments, we relied on the genuineness and completeness of all documents presented to us by Hydro One, and we accepted factual statements made to us by Hydro One (e.g., headcount, budgeted amounts) subject only to their overall reasonableness and any actual contrary knowledge, but without our independent confirmation. All dollar amounts in this Report are stated in Canadian dollars.

II. Organization and Common Corporate Costs

A. HYDRO ONE ORGANIZATION

Hydro One Inc. is wholly owned by the Province of Ontario. It operates through the wholly owned subsidiaries (and the B2MLP) listed in Table 1. The OEB regulates, separately, the business units identified as such in Table 1. Each regulated business is required to account separately for its assets, revenues and costs, for both regulatory and financial accounting purposes.

Table 1 - Business Units

SUBSIDIARY	BUSINESS UNIT	REGULATED	DESCRIPTION
Hydro One Networks Inc.	Transmission	Yes	Owns and operates substantially all of Ontario's electricity transmission system.
	Distribution	Yes	Owns and operates a distribution system which spans approximately 75% of Ontario and serves approximately 1.1 million customers.
Hydro One Brampton Inc	Brampton	Yes	Owns, operates and manages electricity distribution systems and facilities in Brampton, Ontario.
Hydro One Remote Communities Inc	Remotes	Yes	Owns, operates, maintains and constructs generation and distribution assets used to supply of electricity to remote communities in northern Ontario.
Hydro One Telecom Inc.	Telecom	No	Sells high bandwidth telecommunication services to carriers, Internet service providers, and large public and private sector organizations.
Hydro One Inc.		No	Represents activities performed exclusively for the benefit of the shareholder of Hydro One Inc. Most costs it incurs are for the benefit of the other businesses, and are allocated to them.
B2M Limited Partnership	B2M Line	Yes	Will own 100% of a continuous transmission line between the Bruce Nuclear Power Development and Hydro One's Milton Switching station.

B. COMMON SERVICES AND COMMON CORPORATE COSTS

Hydro One provides the functions and services identified in Table 2 to the operating businesses, including the Transmission business.

Table 2 –Functions and Services in Common Corporate Costs

<p>Hydro One Inc. Corporate Office</p> <ul style="list-style-type: none"> ■ President/CEO Office ■ Chair ■ CFO Office ■ Treasurer's Office ■ Board ■ Corporate Secretariat ■ General Counsel – VP 	<p>Shared Services</p> <ul style="list-style-type: none"> ■ Treasury ■ Corporate Controller ■ Taxation ■ Outsourcing Services ■ Real Estate ■ Regulatory Affairs ■ Business Planning & Decision Support
<p>Operations</p> <ul style="list-style-type: none"> ■ Business Architecture ■ Power Systems Information Technology (PSIT) ■ Business Information Technology (BIT) ■ Security Operations ■ SVP Planning & Operating ■ Distribution Development ■ Transmission Projects Development ■ Asset Strategy ■ Network Operations ■ Transmission Asset Management ■ Labour Relations ■ EVP Office – Operations 	<p>Customer Service</p> <ul style="list-style-type: none"> ■ Customer Care Services ■ Strategy and Conservation ■ SVP Customer Ops ■ Distributed Generation ■ Customer Business Relations ■ TxDx Settlements ■ Account Management Director ■ Advanced Distribution ■ Value Growth ■ Pricing ■ VP Customer Service
<p>Corporate Relations</p> <ul style="list-style-type: none"> ■ Corporate Communications and External Relations and Executive Office ■ First Nations and Métis Relations 	<p>Inergi LP (outsourced services)</p> <ul style="list-style-type: none"> ■ Customer Support Services ■ Settlement ■ Finance ■ Human Resources - Pay Services ■ Accounts Payable
<p>People and Culture</p>	<p>Internal Audit</p>
<p>ETS- Applications Support and Infrastructure Support</p>	<p>Telecom Services</p>

Hydro One has distributed among the business units the costs (“Common Corporate Costs”), reflected in its BP 2014-19, of providing those functions and services, using the the OEB-accepted methodology. B&V reviewed Hydro One’s allocation and found that it is reasonable, reflects best practices and follows the OEB-approved methodology, as discussed in our *Review of Common Corporate Costs Allocation– 2013* dated September 19, 2013 (“2013 Common Corporate Costs Report”).

III. B2M Line and B2M Limited Partnership

A. OVERVIEW

In 2012, the Bruce to Milton Transmission Reinforcement Project (“B2M Line”), a 180-km transmission line delivering electricity from the Bruce Nuclear Power Development to Hydro One’s

switchyard in Milton, ON, became operational. The two stations operated by Bruce Nuclear Power Development are in Kincardine, ON, on the southeastern shore of Lake Huron; Milton is on the western shore of Lake Ontario, 40 km west of Toronto.

Hydro One was responsible for the construction of the B2M Line. On or about January 1, 2014, Hydro One will transfer ownership of the B2M Line to B2MLP, a partnership in which Hydro One expects to have an ownership interest of 66% (sixty-six percent).

B. HYDRO ONE'S ROLE

Under the terms of an operating agreement, Hydro One will provide both operations and maintenance services for the B2M Line, as well as support functions and services for the B2MLP.

Operations and Maintenance - Hydro One is responsible for operating and maintaining the B2M Line. During the initial period of operation of the B2M Line (i.e., 2013-2019, corresponding closely to the period of BP 2014-19), the cost of this work is expected to average approximately 0.03% of Hydro One's annual spending for work of this nature on its Transmission business. Hydro One will charge the B2MLP directly for the costs it incurs in operating and maintaining the B2M Line. The amounts charged will reflect fully allocated costs; i.e., labor costs will include salary and wages, benefits and overhead.

Support- In addition, Hydro One is responsible for providing support for the operating and maintenance functions, as well as providing regulatory, legal and tax support for the B2MLP. This support will be provided by the same departments, listed in Table 2, as provide similar functions and services to Hydro One's other business units and are included in Common Corporate Costs.

To reflect the costs of the functions and services to be provided to support the B2MLP, Hydro One has allocated to it a portion of the Common Corporate Costs included in BP 2014-19. The appropriateness of that allocation is the subject of the B2M Review performed by Black & Veatch and discussed in this Report.

IV. Allocation Methodology and Results

A. COSTS TO BE ALLOCATED

The costs of the operation and maintenance of the B2M Line, and of the functions and services to be provided to the B2MLP, are currently included in the rates of Hydro One's Transmission business. Therefore the Common Corporate Costs allocated to the B2MLP are a portion of the total Common Corporate Costs currently distributed to the Transmission business; costs distributed to the Transmission business have been determined by applying Hydro One's Common Corporate Costs Allocation methodology to BP 2014-19 data.

Only certain of the functions and services included in Common Corporate Costs are needed for Hydro One to provide the indicated support for the B2MLP. In addition, the level of effort required to provide this support is expected to vary over the period 2013-2019. The highest levels of effort are expected in the first year due to the newness of the B2MLP entity, and the first year of operation and maintenance of the B2M Line. It is expected that thereafter a much smaller level of effort will be required, because procedures will have been established and operations are expected to be stable over the period.

Hydro One determined that it is appropriate to have the portion (percentage) of total Transmission Common Corporate Costs allocated to the B2MLP remain constant over the business plan period, 2014-2019. Black & Veatch agrees with this approach, for the following reasons:

- The amounts allocated are based on a normal average year and do not reflect the higher level of costs in year one.
- The costs allocated to the B2MLP are small and reasonably determinable, and the changes that would result from computing the numbers annually would be minimal in dollar terms and not worth the time. Many of the year one costs will be incurred prior to the closing of the transaction and are prior to the time scope of this report.
- Stability of costs benefits the B2MLP in planning and rate setting.

B. ALLOCATION PERCENTAGES

To determine the portion of Transmission Common Corporate Costs to allocate to the B2MLP, Hydro One personnel reviewed each activity performed by the departments included in Common Corporate Costs, and determined the estimated percentage of each activity that will be devoted to the B2MLP over the period of the BP 2014-19. The Hydro One personnel who performed this review are familiar with the B2MLP and with the functions and services included in Common Corporate Costs. Their review included discussions with the departments that provide those functions and services, as appropriate, as well as review of the results by management of the B2MLP and supporting staff.

Black & Veatch reviewed the percentages assigned to each activity and obtained explanations for the percentages assigned. Based on our work, we believe that the percentages are reasonable estimates of the effort required to provide the functions and services to the B2MLP over the business plan period.

Exhibit A lists each activity required to provide the functions and services (i.e., each activity in the Common Corporate Costs Model) and the percentage of the activity allocated to the B2MLP based on the review. For each activity for which costs are allocated to the B2MLP, Exhibit A also includes a brief explanation of the work to be performed and any relevant considerations.

C. COSTS ALLOCATED TO THE B2MLP- RESULTS AND CONCLUSION

For each activity in the functions and services to be provided to the B2MLP, the percentage allocated to the B2MLP is multiplied by the cost of that activity in 2014 (reflected in BP 2014-19) as determined in Hydro One's Common Corporate Costs Model. The results are summed, to determine the total Common Corporate Costs to be allocated to the B2MLP. The computations and the results are shown in Exhibit A. Table 3 presents a summary of the results.

Based on our review, Black & Veatch believes that the allocation of Common Corporate Costs to the B2M Limited Partnership, for the functions and services to be provided by Hydro One, reflects cost causation and conforms to the OEB-accepted methodology for allocation of Hydro One's Common Corporate Costs.

Table 3 – Summary of Common Corporate Costs Allocated to B2MLP

Group	Function or Service	Common Corporate Costs for Year 2014 in BP 2014-19		
		Total Costs Distributed To Transmission	Transmission Costs Allocated To B2MLP	B2MLP % Of Transmission (Average All Activities)
Shared Services	Treasury	2,482,800	14,042	0.57%
Shared Services	Corporate Controller	13,392,259	40,039	0.30%
Shared Services	Taxation	1,330,270	18,319	1.38%
Shared Services	Real Estate	7,882,026	21,603	0.27%
Shared Services	Regulatory Affairs	3,221,295	29,212	0.91%
Shared Services	Business Planning & Decision Support	1,250,623	20,851	1.67%
Operations	Security Operations	2,203,474	10,189	0.46%
Corporate Relations	Corporate Communications, External Relations & Executive Office	2,387,290	8,189	0.34%
Corporate Relations	First Nations and Métis Relations	1,861,275	16,475	0.89%
General Counsel & Secretariat	General Counsel & Secretariat	5,355,780	33,888	0.63%
Inergi	Finance	4,048,528	11,652	0.29%
All other		147,225,694		
Total		\$192,641,314	\$224,459	0.12%

Group	Function or Services	L / N	Line Index	Activities Performed	% B2M	Transmission-Year 1	\$\$ to B2M
HOI	President/CEO Office	L	1	Establish performance targets for safety, customer service, reliability		33,338	-
HOI	President/CEO Office	L	2	Provide strategic direction and manage the company to meet the targets of safety, customer service, reliability		133,352	-
HOI	President/CEO Office	L	3	Develop and maintain relationships with major customers and customer groups		133,352	-
HOI	President/CEO Office	L	4	Develop and maintain relationships with regulators, shareholder, lenders		117,300	-
HOI	President/CEO Office	L	5	Monitor, assess and remediate risks to operational and financial performance		66,676	-
HOI	President/CEO Office	L	6	Influence / Ensure company can adapt to changing regulatory framework and economic conditions		133,352	-
HOI	President/CEO Office	L	7	Plan for management succession		33,338	-
HOI	President/CEO Office	N	1	General Departmental Expenses		158,100	-
HOI	Chair	L	1	OVERALL ASSIGNMENT OF TIME		162,276	-
HOI	Chair	N	1	General Departmental Expenses		13,548	-
HOI	CFO Office	L	1	Review and approve financial and investment decisions and Provide input to strategy and business plans		83,074	-
HOI	CFO Office	L	2	Provide oversight to Finance functions in timely, reliable reporting information to HO, subs, regulators, investors, shareholder		64,921	-
HOI	CFO Office	L	3	Provide oversight to Human Resources		3,485	-
HOI	CFO Office	L	4	Provide oversight to Labour Relations		3,485	-
HOI	CFO Office	L	5	Provide oversight to Regulatory Affairs		32,229	-
HOI	CFO Office	L	6	Ensure financial services are provided efficiently and reliably		19,673	-
HOI	CFO Office	L	7	Ensure integrity of, and compliance with, internal controls over regulatory, financial, accounting activities		26,337	-
HOI	CFO Office	L	8	Monitor performance against operational, financial and regulatory targets		27,691	-
HOI	CFO Office	L	9	Ensure sufficient revenue for operating, financial and regulatory needs		14,143	-
HOI	CFO Office	L	10	Support BOD		10,607	-
HOI	CFO Office	L	11	Ensure access to capital on reasonable terms		2,000	-
HOI	CFO Office	L	12	Provide oversight to Management Investment		5,227	-
HOI	CFO Office	L	13	Provide oversight to Board Investment Pension		3,485	-
HOI	CFO Office	L	14	Provide oversight to Regulatory Committee		3,825	-
HOI	CFO Office	L	15	Provide oversight to Audit Finance Committee		7,561	-
HOI	CFO Office	L	16	Provide oversight to Business Transformation		1,700	-
HOI	CFO Office	L	17	Provide oversight to Outsourcing		11,203	-
HOI	CFO Office	L	18	Provide oversight to Supply Chain		11,203	-
HOI	CFO Office	L	19	Provide oversight to Fleet Services		2,970	-
HOI	CFO Office	L	20	Provide oversight to Real Estate and Facilities		5,141	-
HOI	CFO Office	L	21	OTHER DEPARTMENT ACTIVITIES		0	-
HOI	CFO Office	N	1	General departmental expenses		49,511	-
HOI	Treasurer's Office	L	1	Review and approve financial and investment decisions		23,304	-
HOI	Treasurer's Office	L	2	Ensure access to capital on reasonable terms		23,323	-
HOI	Treasurer's Office	L	3	Keep senior management and Hydro One Board Member's apprised on the risks, liquidity & financial position of the company, capital market conditions, financing and risk management strategies, plans and actions		16,326	-
HOI	Treasurer's Office	L	4	Represent the company before customers, regulators, shareholder, lenders, creditors and financial intermediaries		20,612	-
HOI	Treasurer's Office	L	5	Pension Management		6,094	-
HOI	Treasurer's Office	L	6	Oversight of Corp Finance- Treasury		137,268	-
HOI	Treasurer's Office	L	7		0	0	-
HOI	Treasurer's Office	L	8		0	0	-
HOI	Treasurer's Office	L	9		0	0	-
HOI	Treasurer's Office	N	1	General Departmental Expenses		(228,780)	-
HOI	Pension	L	1	Pension cost		580,279	-

Group	Function or Services	L / N	Line Index	Activities Performed		% B2M	Transmission-Year 1	\$\$ to B2M
HOI	Pension	N	1	Pension cost			(580,279)	-
HOI	Board	N	1	Audit Fee			493,341	-
HOI	Board	N	2	General departmental expenses			433,524	-
HOI	Corp. Secretariat	L	1	OVERALL ASSIGNMENT OF TIME			153,654	-
HOI	Corp. Secretariat	N	1	General Departmental Expenses			52,909	-
HOI	General Counsel - VP	L	1	OVERALL ASSIGNMENT OF TIME			223,717	-
HOI	General Counsel - VP	N	1	General Departmental Expenses			5,291	-
HOI	Donations	N	1	Donations			0	-
Shared	Outsourcing Services	L	1	Inergi Contract Management			882,844	-
Shared	Outsourcing Services	N	1	General Departmental Expenses			23,939	-
Shared	Outsourcing Services	N	2	Inergi Costs/Consultants			1,493,800	-
Shared Services	Treasury	L	1	Liquidity Management, Debt Issuance and Financial Risk Management	Issues are allocated once upon creation and only minimal annual maintenance is required	1.0%	580,739	5,807
Shared Services	Treasury	L	2	Regulatory and Credit Rating Support			82,668	-
Shared Services	Treasury	L	3	Investor Relations			181,869	-
Shared Services	Treasury	L	4	Banking Operations and Account Management	Monthly reconcillations but number of transactions will be minimal	2.0%	347,205	6,944
Shared Services	Treasury	L	5	Insurance & Risk Management- Purchasing	partnership will have specific insurance requirements but those will be infrequent	2.0%	64,527	1,291
Shared Services	Treasury	L	6	Insurance- Claims			89,526	-
Shared Services	Treasury	L	7	Insurance- Support			80,658	-
Shared Services	Treasury	L	8	Enterprise Risk Management			193,580	-
Shared Services	Treasury	L	9	OTHER DEPARTMENT ACTIVITIES			0	-
Shared Services	Treasury	N	1	Claims			416,772	-
Shared Services	Treasury	N	2	General liability			352,173	-
Shared Services	Treasury	N	3	Directors & Officers insurance policy			72,408	-
Shared Services	Treasury	N	4	Fiduciary insurance policy			11,841	-
Shared Services	Treasury	N	5		0		0	-
Shared Services	Treasury	N	6		0		0	-
Shared Services	Treasury	N	7	General departmental expenses			8,835	-
Shared Services	Corporate Controller	L	1	Accting policies; External reports; External audit / review	Additional financial statements and audit support will be required	3.0%	721,133	21,634
Shared Services	Corporate Controller	L	2	Business Plan (incl. Financial Modeling & Analysis); Internal reports; Year-end projections			49,274	-
Shared Services	Corporate Controller	L	3	Regulatory Finance Activities			48,146	-
Shared Services	Corporate Controller	L	4	Manage Inergi- General and Inergi- Finance contract			72,510	-
Shared Services	Corporate Controller	L	5	Revenue analysis and reporting			135,065	-
Shared Services	Corporate Controller	L	6	Corporate accounting and Monitor and support Financial systems			672,743	-
Shared Services	Corporate Controller	L	7	Internal Controls/ Bill 198 and Compliance- New projects			579,332	-
Shared Services	Corporate Controller	L	8	Internal Controls/ Bill 198 and Compliance- Sustainment / ongoing			321,115	-

Group	Function or Services	L / N	Line / Index	Activities Performed		% B2M	Transmission-Year 1	\$\$ to B2M		
Shared Services	Corporate Controller	L	9	Operational Acct & LOB Support			3,614,709	-		
Shared Services	Corporate Controller	L	10	Payroll/TRC (BASC)			988,818	-		
Shared Services	Corporate Controller	L	11	IFRS/US GAAP			64,020	-		
Shared Services	Corporate Controller	L	12	SAP Process / Reporting Improvements			211,454	-		
Shared Services	Corporate Controller	L	13	Business Process Improvements			343,672	-		
Shared Services	Corporate Controller	L	14	Corporate Card Charge (BASC)			1,118,089	-		
Shared Services	Corporate Controller	L	15	Performance Reporting	There will be performance reporting against a minimal set of activities	2.0%	920,269	18,405		
Shared Services	Corporate Controller	L	16	Work Management Reporting			1,007,618	-		
Shared Services	Corporate Controller	L	17	Project Accounting/Project Analyst			1,595,394	-		
Shared Services	Corporate Controller	L	18				0	-		
Shared Services	Corporate Controller	L	19				0	-		
Shared Services	Corporate Controller	L	20	OTHER DEPARTMENT ACTIVITIES			0	-		
Shared Services	Corporate Controller	N	1	Actuarial Consultants				133,797	-	
Shared Services	Corporate Controller	N	2	Bill 198, Corp Controllershship				630,149	-	
Shared Services	Corporate Controller	N	3	General Departmental activities				164,951	-	
Shared Services	Taxation	L	1	Compliance activities including tax filings and audits			Sepearate Tax filings and returns will be required	5.0%	362,492	18,125
Shared Services	Taxation	L	2	Tax Planning	258,907	-				
Shared Services	Taxation	L	3	Support Debt issuance	19,210	-				
Shared Services	Taxation	L	4	Special Projects	143,679	-				
Shared Services	Taxation	L	5	Support regulatory filings	Support regulatory cases from time to time	1.0%			19,446	194
Shared Services	Taxation	L	6	Support Construction activities					0	-
Shared Services	Taxation	L	7	Support SAP Implementation					0	-
Shared Services	Taxation	L	8	Support Transition to IFRS					0	-
Shared Services	Taxation	L	10	OTHER DEPARTMENT ACTIVITIES					276,752	-
Shared Services	Taxation	N	1	Tax Consultants					179,844	-
Shared Services	Taxation	N	2	General Departmental activities	69,940	-				
Shared Services	Real Estate	L	1	Supporting Rate Filling Regulatory			12,911	-		
Shared Services	Real Estate	L	2	Real Estate - Manage & Acquire ROW & Easements	Based on # of km - average amount of management expected	0.6%	3,371,706	20,463		

Group	Function or Services	L / N	Line / Index	Activities Performed		% B2M	Transmission-Year 1	\$\$ to B2M
Shared Services	Real Estate	L	3	Manage property taxes and property rights payments and appeals	Based on # of km - average amount of management expected	0.6%	187,874	1,140
Shared Services	Real Estate	L	4	Manage SLU Revenue Programs				1,268,182
Shared Services	Real Estate	L	5	Manage Employee Relocation Program			255,960	-
Shared Services	Real Estate	L	6	VP Office			223,360	-
Shared Services	Real Estate	L	7	Common (Admin)			673,753	-
Shared Services	Real Estate	N	1	Supporting Rate Filing Regulatory	Support regulatory cases from time to time	1.0%	0	-
Shared Services	Real Estate	N	2	Real Estate - Manage & Acquire ROW & Easements			674,559	-
Shared Services	Real Estate	N	3	Manage property taxes and property rights payments and appeals			77,581	-
Shared Services	Real Estate	N	4	Manage SLU Revenue Programs			1,128,155	-
Shared Services	Real Estate	N	5	Manage Employee Relocation Program			0	-
Shared Services	Real Estate	N	6	VP Office			7,986	-
Shared Services	Regulatory Affairs	L	1	Major Projects and Partnerships			393,242	-
Shared Services	Regulatory Affairs	L	2	Compliance			305,605	-
Shared Services	Regulatory Affairs	L	3	Regulatory Policy and Support			1,513,544	-
Shared Services	Regulatory Affairs	L	4	Major Applications	Labour associated with anticipated small COS proceeding every 2 years	5.0%	584,245	29,212
Shared Services	Regulatory Affairs	L	5	VP			130,831	-
Shared Services	Regulatory Affairs	N	1	All Other Costs			293,829	-
Shared Services	Reg. Affairs - OEB Cost	N	1	OEB Billed costs			4,071,509	-
Shared Services	Reg. Affairs - NEB Cost	N	1	NEB Costs			1,253,549	-
Shared Services	Reg. Affairs - Rate Hearings	N	1	Incremental Rate Hearing Costs			1,126,000	-
Shared Services	BP&DS	L	1	Business Planning and Other	Separate business plan including instructions will be prepared	3.0%	695,024	20,851
Shared Services	BP&DS	L	2	Regulatory Finance - Major Rate Apps			0	-
Shared Services	BP&DS	L	3	Regulatory Finance - Monthly Reporting			0	-
Shared Services	BP&DS	L	4	Decision Support			381,538	-
Shared Services	BP&DS	L	5	Health and Safety			128,768	-
Shared Services	BP&DS	L	10	OTHER DEPARTMENT ACTIVITIES			0	-
Shared Services	BP&DS	N	1	General departmental expenses			13,314	-
Shared Services	BP&DS	N	2	Lead Lag Study			9,898	-
Shared Services	BP&DS	N	3	Cost Allocation Study			17,183	-
Shared Services	BP&DS	N	4	Common Asset Study			2,397	-
Shared Services	BP&DS	N	5	Overhead Study			2,500	-

Group	Function or Services	L / N	Line Index	Activities Performed	% B2M	Transmission-Year 1	\$\$ to B2M	
Operations	Business Architecture	L	1	Manage Enterprise Business Processes		330,254	-	
Operations	Business Architecture	L	2	Manage Enterprise Reporting and Analytics		495,381	-	
Operations	Business Architecture	L	3	Support Cornerstone Value Realization Program		122,759	-	
Operations	Business Architecture	L	4	Provide and assess key performance indicators and measures		165,127	-	
Operations	Business Architecture	L	5	Provide Application Support and Coordinate, track and improve training curriculum and develop power user network		1,115,581	-	
Operations	Business Architecture	L	6	Identify, develop, assess, and implement strategic solutions to improve upon the Cornerstone and related assets		613,795	-	
Operations	Business Architecture	L	10	OTHER DEPARTMENT ACTIVITIES		149,626	-	
Operations	Business Architecture	N	1	General Departmental Expenses		250,708	-	
Operations	Business Architecture	N	10	OTHER DEPARTMENT ACTIVITIES		0	-	
Operations	PSIT	L	1	Support to backbone, PCs and applications; Support internal telecommunications		2,202,027	-	
Operations	PSIT	L	2	Develop systems required by operating businesses to meet changes in technical, operating and regulatory requirements		1,468,018	-	
Operations	PSIT	L	3	Support Asset Management activities and projects		1,468,018	-	
Operations	PSIT	L	4	Support Finance activities and projects		0	-	
Operations	PSIT	L	5	Provide operational support for Transmission and Distribution activities		1,761,622	-	
Operations	PSIT	L	6	Manage IT capital projects and IT strategy		2,202,027	-	
Operations	PSIT	L	7	Support Inergi operations		0	-	
Operations	PSIT	L	8	Other departmental activities		440,405	-	
Operations	PSIT	L	10	OTHER DEPARTMENT ACTIVITIES		0	-	
Operations	PSIT	N	1	General Departmental Expenses		(6,362,231)	-	
Operations	PSIT	N	10	OTHER DEPARTMENT ACTIVITIES		0	-	
Operations	BIT	L	1	Support to backbone, PCs and applications; Support internal telecommunications		1,159,337	-	
Operations	BIT	L	2	Develop systems required by operating businesses to meet changes in technical, operating and regulatory requirements		1,411,435	-	
Operations	BIT	L	3	Support Asset Management activities and projects		352,859	-	
Operations	BIT	L	4	Support Finance activities and projects		319,062	-	
Operations	BIT	L	5	Provide operational support for Transmission and Distribution activities		0	-	
Operations	BIT	L	6	Manage IT capital projects and IT strategy		1,764,294	-	
Operations	BIT	L	7	Support Inergi operations		633,115	-	
Operations	BIT	L	8	Other departmental activities		296,847	-	
Operations	BIT	N	1	General Departmental Expenses		131,117	-	
Operations	Security Operations	L	1	Provide Security Services for Company Assets	routine security services required to monitor lines	0.5%	2,037,888	10,189
Operations	Security Operations	L	2	Theft of Power Program (Detection and Investigation of stolen electricity)		0	-	
Operations	Security Operations	N	1	Provide Security Services for Company Assets		165,585	-	
Operations	SVP Planning & Operating	L	1	Time Study Results		377,575	-	
Operations	SVP Planning & Operating	N	1	Time Study Results		4,431,276	-	
Operations	Distribution Development	L	1	Time Study Results		196,455	-	
Operations	Distribution Development	N	1	Time Study Results		16,370	-	
Operations	Transmission Projects Development	L	1	Time Study Results		12,356,960	-	

Group	Function or Services	L / N	Line Index	Activities Performed	% B2M	Transmission-Year 1	\$\$ to B2M	
Operations	Transmission Projects Development	N	1	Time Study Results		3,364,350	-	
Operations	Asset Strategy	L	1	Time Study Results		4,851,943	-	
Operations	Asset Strategy	N	1	Time Study Results		783,014	-	
Operations	Network Operations	L	1	Time Study Results		30,966,196	-	
Operations	Network Operations	N	1	Time Study Results		727,364	-	
Operations	Transmission Asset Management	L	1	Time Study Results		10,509,216	-	
Operations	Transmission Asset Management	N	1	Time Study Results		586,420	-	
Operations	Labour Relations	L	1	Advice, guidance and training to LOBs under the Collective Agreements		304,921	-	
Operations	Labour Relations	L	2	Negotiate with Bargaining Units		76,230	-	
Operations	Labour Relations	L	3	Participate in grievance and arbitration filings		228,691	-	
Operations	Labour Relations	L	4	Participate in OLRB hearings		114,345	-	
Operations	Labour Relations	L	5	Manage WFA Department		38,115	-	
Operations	Labour Relations	N	1	Advice, guidance and arbitrations		59,014	-	
Operations	Labour Relations	N	2	Bargaining & Labour Relations Board		31,777	-	
Operations	EVP Office - Operations	L	1	Management of Operations group		680,831	-	
Operations	EVP Office - Operations	L	2	Attendance at HOI Board meetings		25,053	-	
Operations	EVP Office - Operations	L	3	Management of Remotes entity		0	-	
Operations	EVP Office - Operations	N	1	Management of Operations group		235,310	-	
Operations	EVP Office - Operations	N	2	Attendance at HOI Board meetings		0	-	
Operations	EVP Office - Operations	N	3	Management of Remotes entity		0	-	
Corporate Relations	Corporate Communications and External Relations and Executive Office	L	1	Provide stakeholder consultation advice and support	Responsible for reacting to any media inquiries. Non-traditional nature of the partnership make media contact more likely	5.0%	141,936	7,097
Corporate Relations	Corporate Communications and External Relations and Executive Office	L	2	Provide strategic communications advice to support various corporate initiatives			0	-
Corporate Relations	Corporate Communications and External Relations and Executive Office	L	3	Provide Media Relations advice and support for infrastructure investment, corporate sponsorships, financial results, power restoration, etc.			127,563	-
Corporate Relations	Corporate Communications and External Relations and Executive Office	L	4	Develop and implement strategic employee communications plan			382,690	-
Corporate Relations	Corporate Communications and External Relations and Executive Office	L	5	Provide other internal communications support			765,380	-

Group	Function or Services	L / N	Line Index	Activities Performed		% B2M	Transmission-Year 1	\$\$ to B2M
Corporate Relations	Corporate Communications and External Relations and Executive Office	L	6	Other Department Activities			74,609	-
Corporate Relations	Corporate Communications and External Relations and Executive Office	N	1	Provide stakeholder consultation advice and support			200,222	-
Corporate Relations	Corporate Communications and External Relations and Executive Office	N	2	Provide strategic communications advice to support various corporate initiatives			0	-
Corporate Relations	Corporate Communications and External Relations and Executive Office	N	3	Media Relations	Periodic media expenses for promotion (newspaper, radio)	0.6%	179,948	1,092
Corporate Relations	Corporate Communications and External Relations and Executive Office	N	4	Develop and implement strategic employee communications plan			299,913	-
Corporate Relations	Corporate Communications and External Relations and Executive Office	N	5	Provide Government Relations Advice and Support			179,948	-
Corporate Relations	Corporate Communications and External Relations and Executive Office	N	6	Other Department Activities			35,082	-
Corporate Relations	First Nations	L	1	Provide aboriginal consultation advice and support	Will require advice and guidance from FNM dept	2.0%	475,131	9,503
Corporate Relations	First Nations	L	2	Provide advice re aboriginal HR strategies			154,417	-
Corporate Relations	First Nations	L	3	Provide strategic advice to Remotes			0	-
Corporate Relations	First Nations	L	4	OTHER DEPARTMENT ACTIVITIES			534,522	-
Corporate Relations	First Nations	L	10	OTHER DEPARTMENT ACTIVITIES			0	-
Corporate Relations	First Nations	N	1	General Departmental Expenses	Will require advice and guidance from FNM dept	1.0%	697,205	6,972
Corporate Relations	First Nations	N	10	OTHER DEPARTMENT ACTIVITIES			0	-
Corporate Relations	Executive Office	L	1	General			0	-
Corporate Relations	Executive Office	N	1	General Departmental Expenses			0	-
People & Culture	People and Culture	L	1	Administer Compensation & Benefits Programs			309,870	-
People & Culture	People and Culture	L	2	Decision Support			265,712	-
People & Culture	People and Culture	L	3	Talent Management: Hiring, Succession, Management Development Programs, Executive Coaching & High Potential Employee Assessments			442,726	-
People & Culture	People and Culture	L	4	Recruitment Solutions and Diversity: Diversity Programs, Grad Program, Student/Co-op Program, LOB Resourcing			708,057	-
People & Culture	People and Culture	L	5	Administer Pension Plan			398,567	-

Group	Function or Services	L / N	Line Index	Activities Performed	% B2M	Transmission-Year 1	\$\$ to B2M
People & Culture	People and Culture	L	6	SAP Master Data Administration		88,697	-
People & Culture	People and Culture	L	7	Consulting support to LOBs and corporate functions		1,239,099	-
People & Culture	People and Culture	L	8	VP Human Resources		354,028	-
People & Culture	People and Culture	L	10	OTHER DEPARTMENT ACTIVITIES		0	-
People & Culture	People and Culture	N	1	Consulting		53,369	-
People & Culture	People and Culture	N	2	Talent Management		1,157,501	-
People & Culture	People and Culture	N	3	Recruitment Solutions & Diversity		210,668	-
People & Culture	People and Culture	N	4	Pension Administration		41,899	-
People & Culture	People and Culture	N	5	Compensation & Benefits		41,899	-
People & Culture	People and Culture	N	6	Decision Support		41,899	-
People & Culture	People and Culture	N	7	HR Master Data Management/Administration		41,899	-
People & Culture	People and Culture	N	8	VP Human Resources		751,615	-
People & Culture	People and Culture	N	10	OTHER DEPARTMENT ACTIVITIES		0	-
Customer Service	Customer Care Services	L	1	Time Study Results		350,290	-
Customer Service	Customer Care Services	N	1	Time Study Results		59,284	-
Customer Service	Strategy and Conservation	L	1	Time Study Results		47,120	-
Customer Service	Strategy and Conservation	N	1	Time Study Results		17,920	-
Customer Service	SVP Customer Ops	L	1	Time Study Results		198,189	-
Customer Service	SVP Customer Ops	N	1	Time Study Results		57,188	-
Customer Service	Distributed Generation	L	1	Time Study Results		105,963	-
Customer Service	Distributed Generation	N	1	Time Study Results		6,965	-
Customer Service	Customer Business Relations	L	1	Time Study Results		3,197,350	-
Customer Service	Customer Business Relations	N	1	Time Study Results		519,640	-

Review of Allocation of Common Corporate Costs to B2M Limited Partnership

Group	Function or Services	L / N	Line Index	Activities Performed	% B2M	Transmission-Year 1	\$\$ to B2M	
Customer Service	TxDx Settlements	L	1	Time Study Results		444,177	-	
Customer Service	TxDx Settlements	N	1	Time Study Results		47,627	-	
Customer Service	Account Management Director	L	1	Time Study Results		186,896	-	
Customer Service	Account Management Director	N	1	Time Study Results		7,808	-	
Customer Service	Advanced Distribution	L	1	Time Study Results		0	-	
Customer Service	Advanced Distribution	N	1	Time Study Results		0	-	
Customer Service	Value Growth	L	1	Value Growth HONI		0	-	
Customer Service	Value Growth	L	2	Value Growth HOI		0	-	
Customer Service	Value Growth	N	1	Value Growth HONI		0	-	
Customer Service	Value Growth	N	2	Value Growth HOI		0	-	
Customer Service	Pricing	L	1	Time Study Results		611,621	-	
Customer Service	Pricing	N	1	Time Study Results		41,273	-	
Customer Service	VP Customer Service	L	1	Time Study Results		0	-	
Customer Service	VP Customer Service	N	1	Time Study Results		0	-	
General Counsel and Secretariat	General Counsel and Secretariat	L	1	Overall Assignment of Time		3,096,561	-	
General Counsel and Secretariat	General Counsel and Secretariat	N	1	Consultants and External Legal Counsel	Occasional legal or consultant required related to non-traditional structure	3.0%	1,129,609	33,888
General Counsel and Secretariat	General Counsel and Secretariat	N	2	General departmental expenses		1,129,609	-	
Audit	Audit	L	1	Audits		1,296,423	-	
Audit	Audit	L	2	Purchasing		120,597	-	
Audit	Audit	L	3	IMIT		402,955	-	
Audit	Audit	L	4	Human Resources		66,388	-	
Audit	Audit	L	5	Finance		157,329	-	
Audit	Audit	L	6	Customers		21,603	-	
Audit	Audit	L	7	Corporate Scorecard		200,065	-	
Audit	Audit	L	8	Regulatory		26,316	-	
Audit	Audit	N	1	General Departmental Expenses		81,258	-	
Inergi	CSO - Customer Support Services	I	1	Inbound calls / correspondence		0	-	
Inergi	CSO - Customer Support Services	I	2	Bill Production		0	-	

Group	Function or Services	L / N L	Line Index	Activities Performed	% B2M	Transmission-Year 1	\$\$ to B2M
Inergi	CSO - Customer Support Services	I	3	Data Services- Timesheets for field personnel, Tx operations		0	-
Inergi	CSO - Customer Support Services	I	4	CSO Support- Management; Training, Communications, Support; Application support Business Analysts		0	-
Inergi	Settlement	I	1	Settlement activities		471,600	-
Inergi	Finance	I	1	General Accounting (F&A 1)	Period end journals and other activities required	2.0%	347,660 6,953
Inergi	Finance	I	2	Non Energy AR (F&A 2)		489,147	-
Inergi	Finance	I	3	Fixed Assets (F&A 3)	Some monitoring of Fixed asset ledger	1.0%	469,863 4,699
Inergi	Finance	I	4	Planing and Analysis (F&A 4)		2,100,393	-
Inergi	Finance	I	5	Centre of Excellence (F&A 5)		641,466	-
Inergi	AP	I	1	Managing AP		883,987	-
Inergi	SMS	I	1	0		0	-
Inergi	HR - Pay Services	I	1	Payroll Operations		1,648,409	-
Inergi	HR - Pay Services	I	2	COE - MDM		228,831	-
Inergi	HR - Pay Services	I	3	COE - Reconciliations		76,104	-
Inergi	HR - Pay Services	I	4	Print Impressions		43,488	-
Inergi	HR - Pay Services	I	5	COLA		98,304	-
Inergi	ETS - CSO Apps	I	1	Support CSO Applications		0	-
Inergi	ETS - Finance Apps	I	2	Support Finance Applications		4,362,480	-
Inergi	ETS - HR Apps	I	3	Support HR Applications		2,526,713	-
Inergi	ETS - Passport Apps	I	4	Support Passport Applications / Cornerstone		4,359,589	-
Inergi	ETS - Mkt Ready Apps	I	5	Support Market Ready Applications		1,027,462	-
Inergi	ETS - Telecom	I	6	Support Telecommunications Infrastructure		158,988	-
Inergi	ETS - Infra-structure Svc. / Misc. Apps	I	7	Direct Assignments		0	-
Inergi	ETS - Infra-structure Svc. / Misc. Apps	I	8	General Infrastructure Support		12,135,201	-
Inergi	ETS - Smart Meter	I	9	Smart Meter		0	-
Telecom Services	Oper / Carrier Mgmt	T	1	Operations and Carrier Management		3,827,593	-
Telecom Services	Data Services	T	2	Data Network Services –Admin		3,081,172	-
Telecom Services	Voice Services	T	3	Voice Services		1,605,894	-
Telecom Services	Field Services	T	4	Field Services		1,231,185	-
Telecom Services	Smart Meter	T	5	Smart Meter		0	-

TOTAL

192,641,313 224,459

1 **EXTERNAL EXPERT EVIDENCE STATEMENT - BLACK & VEATCH –**
2 **REVIEW OF SHARED ASSET ALLOCAION**

3
4 This Statement is provided in compliance with Ontario Energy Board (“Board”) Rule 13A,
5 regarding the report ‘Review of Shared Assets Allocation (Transmission) – 2014’ (“Report”)
6 dated March 17, 2014, prepared by Black & Veatch Corporation (“Black & Veatch”).

7
8 **Consultant:**

9
10 Black & Veatch Corporation
11 11401 Lamar Avenue
12 Overland Park, KS 66211

13
14 Black & Veatch, through its Management Consulting Division, provides strategic, economic and
15 management consulting, specializing in energy matters, in areas such as economic analysis,
16 strategy development, operational assessment, industry restructuring support, litigation and
17 regulatory support and technical analysis.

18
19 **Qualifications:**

20
21 The lead expert on this project was:

22
23 *Howard Gorman*

24 Howard Gorman has 25 years of diversified experience in the energy industry and over 30
25 years of experience covering all areas of finance. He specializes in rate and regulatory
26 matters, including electric and gas revenue of requirements, allocated cost of service and rate
27 design; accounting and costing; energy project financing and analysis; energy asset
28 valuations, acquisitions and divestitures; mergers and related management and organizational

1 matters; economic and financial planning. Mr. Gorman has extensive experience in rate and
2 regulatory matters for electric and gas utilities, including: Developing revenue requirements;
3 Identifying customer class cross-subsidizations; Revenue allocation and rate design; Inter-
4 affiliate cost allocation; and Budgeting and costing. He has testified before the
5 Massachusetts Department of Public Utilities, New Jersey Board of Public Utilities, New
6 York State Public Service Commission, Ontario Energy Board, Pennsylvania Public Utility
7 Commission and Rhode Island Public Utilities Commission. Mr. Gorman received a B.S.
8 degree in Accounting from New York University (1976) and an M.B.A. from Harvard
9 Business School (1981). He is a New York State licensed Certified Public Accountant.

10
11 **Instructions Provided:**

12
13 The instructions provided to Black & Veatch in preparing the Report were:

- 14
- 15 • Recommend a best practice methodology to distribute Hydro One Inc.'s Common Corporate
16 assets among the business units that use them. This recommendation could include the
17 continuation of the existing methodology, the continuation of the existing methodology with
18 modifications or the proposal of a new methodology.
 - 19 • Prepare a Report of the recommended Common Corporate Assets Methodology to be used in
20 future rate applications. This report will include a conclusion, definitions, a summary of
21 every factor used in the methodology and the proposed methodology.
 - 22 • Propose and analyze all drivers used for allocation.
 - 23 • Prepare responses to Interrogatories from Interveners during a rate application relating to the
24 proposed Asset Allocation methodology.
 - 25 • Be available to testify to the proposed methodology during a future rate application.
 - 26 • Prepare final Common Corporate Assets allocation report, reflecting the current Business
27 Plan and including both the Transmission and Distribution businesses, to be used in Cost of
28 Service applications.

- 1 • In support of the successful Proponent's work, Hydro One's management will respond to all
2 requests for basic information and/or supporting documentation.
3

4 **Basis of Evidence:**
5

6 The basis for the evidence is set forth in the Section IB of the Report, *Types of Shared Assets*,
7 and Section IC of the Report, *Summary of Approach* and Section II of the Report, *Descriptions of*
8 *Asset Groups*.
9

10 **Context of Evidence:**
11

12 This evidence is not provided in response to another expert's evidence. In 2004, B&V (formerly
13 RJ Rudden and Associates) was engaged by Hydro One to recommend a best practice
14 methodology to distribute the costs of Shared Assets, between its Transmission and Distribution
15 businesses and other businesses. B&V recommended a methodology which was adopted by
16 Hydro One and accepted by the Board in its EB-2006-0501 Decision with Reasons, dated August
17 16, 2007. The accepted methodology has been reviewed and updated by B&V and accepted by
18 the Board as part of subsequent Transmission and Distribution rate filings EB-2007-0681, EB-
19 2008-0272, EB-2009-0096, EB-2010-0002 and EB-2012-0031. To remain consistent with the
20 Board's approved methodology, a similar review and update process has been done as part of
21 this filing.

1 **Confirmation:**

2

3 The expert has been made aware of and agrees to accept the responsibilities that are or may be
4 imposed on the expert as set out in Rule 13A.

5

6 *Signature:*

7 

8

9

Black & Veatch Corporation

10

By Russell A. Feingold, Vice President, Management Consulting Division

11

12

Date:

13

April 24, 2014

1 **DEPRECIATION AND AMORTIZATION EXPENSES**

2
3 **1.0 INTRODUCTION**

4
5 The purpose of this evidence is to summarize the method and amount of B2M LP's
6 depreciation and amortization expense for the 2015 to 2019 test years.

7
8 The depreciation and amortization expense for Hydro One's submission for 2007 and
9 2008 Electricity Transmission revenue requirements (EB-2006-0501) was supported by
10 an independent study conducted by Foster Associates Inc. (Foster), completed in June,
11 2006. Hydro One has submitted a number of updates to the Foster study in subsequent
12 rate applications. The latest study update was carried out by Foster in August 2013 for
13 the EB-2014-0140 proceeding. The Board accepted the costs flowing from the
14 Depreciation Study for that case. Foster completed a new Depreciation Study for B2M
15 LP on September 27, 2013. This study is provided in this exhibit as Attachment 1.

16
17 The depreciation and amortization expense for 2015 to 2019 is \$6.8 million each year.
18 The calculation of these amounts is shown in Exhibit C2, Tab 2, Schedule 1.

1 **DEPRECIATION AND AMORTIZATION EXPENSES**

2
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4
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8

Attachment 1: Bruce to Milton Line Depreciation Rates –Foster Associates

Attachment 2: The external expert evidence statement is as presented in Exhibit C1, Tab 7, Schedule 1, Attachment 1 pages 42 to 58 of Hydro One Network’s Transmission Application (EB-2014-0140). A copy is included here for convenience.

September 27, 2013

Mr. Colin R. Fraser, CPA, CA
Manager, Financial Reporting and Accounting Policy
HYDRO ONE NETWORKS, INC.
483 Bay Street, 13th floor, North Tower
Toronto, Ontario M5G 2P5

RE: Bruce-to-Milton Line

Dear Mr. Fraser:

As you requested, attached are recommended depreciation rates for the newly constructed Bruce-to-Milton Line. Based on our analysis, Foster Associates is recommending primary account accrual rates that composite to 1.34 percent. Depreciation expense is currently accrued using primary account accrual rates that composite to 1.26 percent.

The results of our study are contained in the attached statements briefly described below.

- Statement A provides a comparative summary of current and proposed annual depreciation rates using the vintage group procedure, remaining-life technique.
- Statement B provides a comparison of current and proposed annualized 2013 depreciation accruals derived from the depreciation rates contained in Statement A.
- Statement C provides a comparison of recorded, computed and redistributed reserves for each rate category at December 31, 2012.
- Statement D provides a comparative summary of current and proposed parameters and statistics including projection life, projection curve, average service life, and average remaining life.
- Statement E displays the computation of proposed USoA projection lives derived from recommended IFRS profile lives.

Category lives used in the computation of proposed depreciation rates were estimated by an internal project team assigned to review and update parameters previously estimated in a 2011 review of depreciation rates for Hydro One Networks, Inc., transmission operations (BU 210). Members of the review team included engineers, accountants and other subject matter experts familiar with the assets under review. Meetings of the project team were facilitated by Foster Associates.

Recommended group depreciations rates were formulated with recognition of retirement dispersion. Iowa survivor curves considered descriptive of the forces of retirement acting upon each USoA category were selected by Foster Associates based on experience and an understanding of

Mr. Colin R. Fraser
Page Two
September 27, 2013

the parametric form of the associated probability density functions. Proposed projection lives derived from harmonic weighting of the category lives recommended by the project team are summarized in attached Statement E.

We wish to express our appreciation for the opportunity to again be of service to Hydro One Networks, Inc. and for the assistance provided to us. We would be pleased to discuss our recommendations with you or others at your convenience.

Respectfully submitted,
FOSTER ASSOCIATES, INC.
by

A handwritten signature in black ink, appearing to read "Ronald E. White", written over a horizontal line.

Ronald E. White, Ph.D.
Chairman

REW:ml

HYDRO ONE NETWORKS INC. (Bruce-to-Milton Line)

Statement A

Comparison of Current and Proposed Accrual Rates

Current: VG Procedure / RL Technique

Proposed: VG Procedure / RL Technique

Account Description A	Current			Proposed			
	Rem. Life B	Net Salvage C	Accrual Rate D	Rem. Life E	Net Salvage F	Reserve Ratio G	Accrual Rate H
TRANSMISSION PLANT							
1706 Land Rights	75.60		0.95%	99.22		0.88%	1.00%
1708 Buildings and Fixtures	29.81		1.80%	22.50		61.80%	1.70%
1720 Towers and Fixtures	57.56		1.26%	74.08		1.38%	1.33%
1730 Overhead Conductors and Devices	44.92		1.43%	63.85		1.99%	1.54%
1745 Roads and Trails	35.85		1.62%	48.71		2.96%	1.99%
Total Bruce-to-Milton Line			1.26%	73.63		1.48%	1.34%

HYDRO ONE NETWORKS INC. (Bruce-to-Milton Line)

Statement B

Comparison of Current and Proposed Accruals

Current: VG Procedure / RL Technique

Proposed: VG Procedure / RL Technique

Account Description A	12/31/12 Plant Investment B	2013 Annualized Accrual		
		Current C	Proposed D	Difference E=D-C
TRANSMISSION PLANT				
1706 Land Rights	\$ 97,468,240	\$ 925,948	\$ 974,682	\$ 48,734
1708 Buildings and Fixtures	11,533	208	196	(12)
1720 Towers and Fixtures	274,599,541	3,459,954	3,652,174	192,220
1730 Overhead Conductors and Devices	139,580,139	1,995,996	2,149,534	153,538
1745 Roads and Trails	11,198,883	181,422	222,858	41,436
Total Bruce-to-Milton Line	\$ 522,858,336	\$ 6,563,528	\$ 6,999,444	\$ 435,916

HYDRO ONE NETWORKS INC. (Bruce-to-Milton Line)

Depreciation Reserve Summary
Vintage Group Procedure
December 31, 2012

Statement C

Account Description A	Plant Investment B	Recorded Reserve		Computed Reserve		Redistributed Reserve	
		Amount C	Ratio D=C/B	Amount E	Ratio F=E/B	Amount G	Ratio H=G/B
TRANSMISSION PLANT							
1706 Land Rights	\$ 97,468,240	\$ 855,735	0.88%	\$ 760,252	0.78%	\$ 854,274	0.88%
1708 Buildings and Fixtures	11,533	7,130	61.82%	6,343	55.00%	7,128	61.80%
1720 Towers and Fixtures	274,599,541	3,779,365	1.38%	3,368,421	1.23%	3,785,001	1.38%
1730 Overhead Conductors and Devices	139,580,139	2,779,004	1.99%	2,469,495	1.77%	2,774,903	1.99%
1745 Roads and Trails	11,198,883	332,086	2.97%	295,473	2.64%	332,015	2.96%
Total Bruce-to-Milton Line	\$ 522,858,336	\$ 7,753,321	1.48%	\$ 6,899,984	1.32%	\$ 7,753,321	1.48%

HYDRO ONE NETWORKS INC. (Bruce-to-Milton Line)

Current and Proposed Parameters
Vintage Group Procedure

Statement D

Account Description A	Current Parameters					Proposed Parameters						
	P-Life/ AYFR B	Curve Shape C	VG ASL D	Rem. Life E	Avg. Sal. F	Fut. Sal. G	P-Life/ AYFR H	Curve Shape I	VG ASL J	Rem. Life K	Avg. Sal. L	Fut. Sal. M
TRANSMISSION PLANT												
1706 Land Rights	100.00	S6	100.00	75.60			100.00	S6	100.00	99.22		
1708 Buildings and Fixtures	50.00	S6	50.29	29.81			50.00	S6	50.00	22.50		
1720 Towers and Fixtures	75.00	S2	75.15	57.56			75.00	S2	75.00	74.08		
1730 Overhead Conductors and Devices	65.00	S3	65.14	44.92			65.00	S3	65.00	63.85		
1745 Roads and Trails	55.00	S2	55.84	35.85			50.00	S2	50.03	48.71		
Total Bruce-to-Milton Line									74.61	73.63		

HYDRO ONE NETWORKS INC. (Bruce-to-Milton Line)

Statement E

Asset Category Summary
December 31, 2012
Harmonic Weighting

Description A	Current P-Life		Proposed P-Life		Plant	
	USoA B	Category C	USoA D	Category E	USoA F	Category G
TRANSMISSION PLANT						
1706 Land Rights						
1212 Easmnts & Rights, Purch& Acqui		100		100		\$ 97,468,240
Total USoA 1706	100 S6	100	100 S6	100	\$ 97,468,240	\$ 97,468,240
1708 Buildings and Fixtures						
1270 Tx - Serv Structures		50		50		\$ 11,533
Total USoA 1708	50 S6	50	50 S6	50	\$ 11,533	\$ 11,533
1720 Towers and Fixtures						
1230 Steel Twr, Sup & Ftng		90		90		\$ 274,595,261
1240 Poles Incl Xarm, Guy, Anchr		50		50		4,280
Total USoA 1720	75 S2	90	75 S2	90	\$ 274,599,541	\$ 274,599,541
1730 Overhead Conductors and Devices						
1220 Insulators		60		60		\$ 55,041,455
1232 Grounding System		50		50		5,896,518
1250 Overhd Conductor All		75		70 a)		78,642,166
Total USoA 1730	65 S3	67	65 S3	65	\$ 139,580,139	\$ 139,580,139
1745 Roads and Trails						
1215 Clrng & Overblndg		70		70		\$ 11,198,883
Total USoA 1745	55 S2	70	50 S2	70	\$ 11,198,883	\$ 11,198,883
TOTAL Bruce to Milton					\$ 522,858,336	\$ 522,858,337

a) Based on engineering studies.

Expert Rule 13A

EXPERT RULE 13A

TITLE OF REPORT

2013 Depreciation Rate Review
—Transmission Operations
—Common Operations

CONSULTANT

Ronald E. White, Ph.D.
Foster Associates, Inc.
17595 S. Tamiami Trail, Suite 260
Fort Myers, FL 33908

QUALIFICATIONS

See attached Professional Qualifications.

INSTRUCTIONS PROVIDED

Foster Associates was instructed to conduct a 2013 Depreciation Rate Review and provide recommended depreciation rates for USoA categories derived from service life statistics estimated for category classifications adopted by Hydro One Networks for engineering operations and planning purposes.

BASIS OF EVIDENCE

Specific information and factual assumptions upon which the 2013 Depreciation Rate Review is based are contained within the titled report.

CONFIRMATION

Dr. White has been made aware of and agrees to accept the responsibilities that are or may be imposed as set forth in Rule 13A.

Ronald E. White, Ph.D.
January 22, 2014

PROFESSIONAL QUALIFICATIONS

NAME AND ADDRESS

Ronald E. White, Ph.D.
Foster Associates, Inc.
17595 S. Tamiami Trail, Suite 212
Fort Myers, FL 33908

EDUCATION

1961 - 1964 Valparaiso University

Major: Electrical Engineering

1965 Iowa State University

B.S., Engineering Operations

1968 Iowa State University

M.S., Engineering Valuation

Thesis: The Multivariate Normal Distribution and the Simulated Plant Record
Method of Life Analysis

1977 Iowa State University

Ph.D., Engineering Valuation

Minor: Economics

Dissertation: A Comparative Analysis of Various Estimates of the Hazard Rate
Associated With the Service Life of Industrial Property

EMPLOYMENT

2007 - Present Foster Associates, Inc.
Chairman

1996 - 2007 Foster Associates, Inc.
Executive Vice President

1988 - 1996 Foster Associates, Inc.
Senior Vice President

1979 - 1988 Foster Associates, Inc.
Vice President

1978 - 1979 Northern States Power Company
Assistant Treasurer

1974 - 1978 Northern States Power Company
Manager, Corporate Economics

- 1972 - 1974 Northern States Power Company
Corporate Economist
- 1970 - 1972 Iowa State University
Graduate Student and Instructor
- 1968 - 1970 Northern States Power Company
Valuation Engineer
- 1965 - 1968 Iowa State University
Graduate Student and Teaching Assistant

PUBLICATIONS

A New Set of Generalized Survivor Tables, Journal of the Society of Depreciation Professionals, October, 1992.

The Theory and Practice of Depreciation Accounting Under Public Utility Regulation, Journal of the Society of Depreciation Professionals, December, 1989.

Standards for Depreciation Accounting Under Regulated Competition, paper presented at The Institute for Study of Regulation, Rate Symposium, February, 1985.

The Economics of Price-Level Depreciation, paper presented at the Iowa State University Regulatory Conference, May, 1981.

Depreciation and the Discount Rate for Capital Investment Decisions, paper presented at the National Communications Forum - National Electronics Conference, October 1979.

A Computerized Method for Generating a Life Table From the 'h-System' of Survival Functions, paper presented at the American Gas Association - Edison Electric Institute Depreciation Accounting Committee Meeting, December, 1975.

The Problem With AFDC is ..., paper presented at the Iowa State University Conference on Public Utility Valuation and the Rate Making Process, May, 1973.

The Simulated Plant-Record Method of Life Analysis, paper presented at the Missouri Public Service Commission Regulatory Information Systems Conference, May, 1971.

Simulated Plant-Record Survivor Analysis Program (User's Manual), special report published by Engineering Research Institute, Iowa State University, February, 1971.

A Test Procedure for the Simulated Plant-Record Method of Life Analysis, Journal of the American Statistical Association, September, 1970.

Modeling the Behavior of Property Records, paper presented at the Iowa State University Conference on Public Utility Valuation and the Rate Making Process, May, 1970.

A Technique for Simulating the Retirement Experience of Limited-Life Industrial Property, paper presented at the National Conference of Electric and Gas Utility Accountants, May, 1969.

How Dependable are Simulated Plant-Record Estimates?, paper presented at the Iowa State University Conference on Public Utility Valuation and the Rate Making Process, April, 1968.

TESTIFYING WITNESS

Alabama Public Service Commission, Docket No. 18488, General Telephone Company of the Southeast; testimony concerning engineering economy study techniques.

Alabama Public Service Commission, Docket No. 20208, General Telephone Company of the South; testimony concerning the equal-life group procedure and remaining-life technique.

Alberta Energy and Utilities Board, Application No. 1250392, Aquila Networks Canada; rebuttal testimony supporting proposed depreciation rates.

Alberta Energy and Utilities Board, Case No. RE95081, Edmonton Power Inc.; rebuttal evidence concerning appropriate depreciation rates.

Alberta Energy and Utilities Board, 1999/2000 General Tariff Application, Edmonton Power Inc.; direct and rebuttal evidence concerning appropriate depreciation rates.

Arizona Corporation Commission, Docket No. T-01051B-97-0689, U S West Communications, Inc.; testimony concerning appropriate depreciation rates.

Arizona Corporation Commission, Docket No. G-1032A-02-0598, Citizens Communications Company; testimony supporting proposed depreciation rates.

Arizona Corporation Commission, Docket No. E-01345A-08-0172, Arizona Public Service Company; testimony supporting proposed depreciation rates.

Arizona Corporation Commission, Docket No. E-0135A-03-0437, Arizona Public Service Company; rebuttal testimony supporting net salvage rates.

Arizona Corporation Commission, Docket No. E-01345A-05-0816, Arizona Public Service Company; testimony supporting proposed depreciation rates.

Arizona Corporation Commission, Docket No. E-01345A-11-0224, Arizona Public Service Company; testimony supporting proposed depreciation rates.

Arizona Corporation Commission, Docket No. G-04204A-06-0463, UNS Gas, Inc.; testimony supporting proposed depreciation rates.

Arizona Corporation Commission, Docket No. E-04204A-06-0783, UNS Electric, Inc.; testimony supporting proposed depreciation rates.

Arizona Corporation Commission, Docket No. E-04204A-09-0206, UNS Electric, Inc.; testimony supporting proposed depreciation rates.

Arizona State Board of Equalization, Docket No. 6302-07-2, Arizona Public Service Company; testimony concerning valuation and assessment of contributions in aid of construction.

California Public Utilities Commission, Case Nos. A.92-06-040, 92-06-042, GTE California Incorporated; rebuttal testimony supporting depreciation study techniques.

California Public Utilities Commission. Docket No. GRC A.05-12-002, Pacific Gas and Electric Company; testimony regarding estimation of net salvage rates.

California Public Utilities Commission. Docket No. GRC A.06-12-009/A.06-12-010, San Diego Gas & Electric Company and Southern California Gas Company; testimony regarding estimation of net salvage rates.

Public Utilities Commission of the State of Colorado, Application No. 36883-Reopened. U S WEST Communications; testimony concerning equal-life group procedure.

State of Connecticut Department of Public Utility Control, Docket No. 10-12-02, Yankee Gas Services Company; testimony supporting recommended depreciation rates.

State of Connecticut Department of Public Utility Control, Docket No. 09-12-05, The Connecticut Light and Power Company; testimony supporting recommended depreciation rates.

State of Connecticut Department of Public Utility Control, Docket No. 06-12PH01, Yankee Gas Services Company; testimony supporting recommended depreciation rates.

State of Connecticut Department of Public Utility Control, Docket No. 05-03-17, The Southern Connecticut Gas Company; testimony supporting recommended depreciation rates.

Delaware Public Service Commission, Docket No. 81-8, Diamond State Telephone Company; testimony concerning the amortization of inside wiring.

Delaware Public Service Commission, Docket No. 82-32, Diamond State Telephone Company; testimony concerning the equal-life group procedure and remaining-life technique.

Public Service Commission of the District of Columbia, Formal Case No. 842, District of Columbia Natural Gas; testimony concerning depreciation rates.

Public Service Commission of the District of Columbia, Formal Case No. 1016, Washington Gas Light Company - District of Columbia; testimony supporting proposed depreciation rates.

Public Service Commission of the District of Columbia, Formal Case No. 1054, Washington Gas Light Company - District of Columbia; testimony supporting proposed depreciation rates.

Public Service Commission of the District of Columbia, Formal Case No. 1093, Washington Gas Light Company - District of Columbia; testimony supporting proposed depreciation rates.

Federal Communications Commission, Prescription of Revised Depreciation Rates for AT&T Communications; statement concerning depreciation, regulation and competition.

Federal Communications Commission, Petition for Modification of FCC Depreciation Prescription Practices for AT&T; statement concerning alignment of depreciation expense used for financial reporting and regulatory purposes.

Federal Communications Commission, Docket No. 99-117, Bell Atlantic; affidavit concerning revenue requirement and capital recovery implications of omitted plant retirements.

Federal Energy Regulatory Commission, Docket No. ER10-2110-000, ITC Midwest; testimony supporting proposed depreciation rates.

Federal Energy Regulatory Commission, Docket No. ER10-185-000, Michigan Electric Transmission Company; testimony supporting depreciation rates.

Federal Energy Regulatory Commission, Docket No. ER09-1530-000, ITC *Transmission*; testimony supporting proposed depreciation rates.

Federal Energy Regulatory Commission, Docket No. ER95-267-000, New England Power Company; testimony supporting proposed depreciation rates.

Federal Energy Regulatory Commission, Docket No. ER11-3638-000, Arizona Public Service Company; testimony supporting proposed depreciation rates

Federal Energy Regulatory Commission, Docket No. RP89-248, Mississippi River Transmission Corporation; rebuttal testimony concerning appropriateness of net salvage component in depreciation rates.

Federal Energy Regulatory Commission, Docket No. ER91-565, New England Power Company; testimony supporting proposed depreciation rates.

Federal Energy Regulatory Commission, Docket No. ER78-291, Northern States Power Company; testimony concerning rate of return and general financial requirements.

Federal Energy Regulatory Commission, Docket Nos. RP80-97 and RP81-54, Tennessee Gas Pipeline Company; testimony concerning offshore plant depreciation rates.

Federal Power Commission, Docket No. E-8252, Northern States Power Company; testimony concerning general financial requirements and measurements of financial performance.

Federal Power Commission, Docket No. E-9148, Northern States Power Company; testimony concerning general financial requirements and measurements of financial performance.

Federal Power Commission, Docket No. ER76-818, Northern States Power Company; testimony concerning rate of return and general financial requirements.

Federal Power Commission, Docket No. RP74-80, *Northern* Natural Gas Company; testimony concerning depreciation expense.

Public Utilities Commission of the State of Hawaii, Docket No. 00-0309, The Gas Company; testimony supporting proposed depreciation rates.

Public Utilities Commission of the State of Hawaii, Docket No. 94-0298, GTE Hawaiian Telephone Company Incorporated; testimony concerning the need for shortened service lives and disclosure of asset impairment losses.

Idaho Public Utilities Commission, Case No. U-1002-59, General Telephone Company of the Northwest, Inc.; testimony concerning the remaining-life technique and the equal-life group procedure.

Illinois Commerce Commission, Case No. 04-0476, Illinois Power Company; testimony supporting proposed depreciation rates.

Illinois Commerce Commission, Docket No. 94-0481, Citizens Utilities Company of Illinois; rebuttal testimony concerning applications of the Simulated Plant-Record method of life analysis.

Iowa State Commerce Commission, Docket No. RPU 82-47, North Central Public Service Company; testimony on depreciation rates.

Iowa State Commerce Commission, Docket No. RPU 84-34, General Telephone Company of the Midwest; testimony concerning the remaining-life technique and the equal-life group procedure.

Iowa State Utilities Board, Docket No. DPU-86-2, Northwestern Bell Telephone Company; testimony concerning capital recovery in competition.

Iowa State Utilities Board, Docket No. RPU-84-7, Northwestern Bell Telephone Company; testimony concerning the deduction of a reserve deficiency from the rate base.

Iowa State Utilities Board, Docket No. DPU-88-6, U S WEST Communications; testimony concerning depreciation subject to refund.

Iowa State Utilities Board, Docket No. RPU-90-9, Central Telephone Company of Iowa; testimony concerning depreciation rates.

Iowa State Utilities Board, Docket No. RPU-93-9, U S WEST Communications; testimony concerning principles of depreciation accounting and abandonment of FASB 71.

Iowa State Utilities Board, Docket No. DPU-96-1, U S WEST Communications; testimony concerning principles of depreciation accounting and abandonment of FASB 71.

Iowa State Utilities Board, Docket No. RPU-05-2, Aquila Networks; testimony supporting recommended depreciation rates.

Kansas Corporation Commission, Docket No. 12-KGSG-835-RTS, Kansas Gas Service, a Division of ONEOK, Inc.; testimony supporting proposed depreciation rates.

Kansas Corporation Commission, Docket No. 12-WSEE-112-RTS, Kansas Westar Energy, Inc.; testimony supporting proposed depreciation rates.

Kansas Corporation Commission, Docket No. 10-KCPE-415-RTS; Kansas City Power and Light; cross-answering testimony addressing the recording and treatment of third-party reimbursements in estimating net salvage rates.

Kansas Corporation Commission, Docket No. 04-AQLE-1065-RTS, Aquila Networks – WPE (Kansas); testimony supporting proposed depreciation rates.

Kansas Corporation Commission, Docket No. 03-KGSG-602-RTS, Kansas Gas Service, a Division of ONEOK, Inc.; rebuttal testimony supporting net salvage rates.

Kansas Corporation Commission, Docket No. 06-KGSG-1209-RTS, Kansas Gas Service, a Division of ONEOK, Inc.; testimony supporting proposed depreciation rates.

Kentucky Public Service Commission, Case No. 97-224, Jackson Purchase Electric Cooperative Corporation; rebuttal testimony supporting proposed depreciation rates.

Maryland Public Service Commission, Case No. 8485, Baltimore Gas and Electric Company; testimony supporting proposed depreciation rates.

Maryland Public Service Commission, Case No. 9096, Baltimore Gas and Electric Company; testimony supporting proposed depreciation rates.

Maryland Public Service Commission, Case No. 7689, Washington Gas Light Company; testimony concerning life analysis and net salvage.

Maryland Public Service Commission, Case No. 8960, Washington Gas Light Company; testimony supporting proposed depreciation rates.

Maryland Public Service Commission, Case No. 9103, Washington Gas Light Company; rebuttal testimony supporting proposed depreciation rates.

Commonwealth of Massachusetts Department of Public Utilities, D.P.U. 10-70, Western Massachusetts Electric Company; testimony supporting proposed depreciation rates.

Commonwealth of Massachusetts Department of Telecommunications and Energy, D.T.E. 06-55, Western Massachusetts Electric Company; testimony supporting proposed depreciation rates.

Massachusetts Department of Public Utilities, Case No. D.P.U. 91-52, Massachusetts Electric Company; testimony supporting proposed depreciation rates which include a net salvage component.

Michigan Public Service Commission, Case No. U-16991, The Detroit Edison Company; testimony supporting proposed depreciation rates.

Michigan Public Service Commission, Case No. U-16117, The Detroit Edison Company; testimony supporting proposed depreciation rates.

Michigan Public Service Commission, Case No. U-15699, Michigan Consolidated Gas Company; testimony supporting proposed depreciation rates.

Michigan Public Service Commission, Case No. U-13899, Michigan Consolidated Gas Company; testimony concerning service life estimates.

Michigan Public Service Commission, Case No. U-13393, Aquila Networks - MGU; testimony supporting proposed depreciation rates.

Michigan Public Service Commission, Case No. U-12395, Michigan Gas Utilities; testimony supporting proposed depreciation rates including amortization accounting and redistribution of recorded reserves.

Michigan Public Service Commission, Case No. U-6587, General Telephone Company of Michigan; testimony concerning use of a theoretical depreciation reserve with the remaining-life technique.

Michigan Public Service Commission, Case No. U-7134, General Telephone Company of Michigan; testimony concerning the equal-life group depreciation procedure.

Minnesota Public Service Commission, Docket No. E-611, Northern States Power Company; testimony concerning rate of return and general financial requirements.

Minnesota Public Service Commission, Docket No. E-1086, Northern States Power Company; testimony concerning depreciation rates.

Minnesota Public Service Commission, Docket No. G-1015, Northern States Power Company; testimony concerning rate of return and general financial requirements.

Public Service Commission of the State of Missouri, Case No. ER-2009-0090, KCP&L Greater Missouri Operations, rebuttal testimony concerning depreciation rates.

Public Service Commission of the State of Missouri, Case No. ER-2001-672, Missouri Public Service, a division of Utilicorp United Inc.; surrebuttal testimony regarding computation of income tax expense.

Public Service Commission of the State of Missouri, Case No. TO-82-3, Southwestern Bell Telephone Company; rebuttal testimony concerning the remaining-life technique and the equal-life group procedure.

Public Service Commission of the State of Missouri, Case No. GO-97-79, Laclede Gas Company; rebuttal testimony concerning adequacy of database for conducting depreciation studies.

Public Service Commission of the State of Missouri, Case No. GR-99-315, Laclede Gas Company; rebuttal testimony concerning treatment of net salvage in development of depreciation rates.

Public Service Commission of the State of Missouri, Case No. HR-2004-0024, Aquila Inc. d/b/a/ Aquila Networks-L & P; testimony supporting depreciation rates.

Public Service Commission of the State of Missouri, Case No. ER-2004-0034, Aquila Inc. d/b/a/ Aquila Networks-L & P and Aquila Networks-MPS; testimony supporting depreciation rates.

Public Service Commission of the State of Missouri, Case No. GR-2004-0072, Aquila Inc. d/b/a/ Aquila Networks-L & P and Aquila Networks-MPS; testimony supporting depreciation rates.

Public Service Commission of the State of Montana, Docket No. 88.2.5, Mountain State Telephone and Telegraph Company; rebuttal testimony concerning the equal-life group procedure and amortization of reserve imbalances.

Montana Public Service Commission, Docket No. D95.9.128, The Montana Power Company; testimony supporting proposed depreciation rates.

Nebraska Public Service Commission, Docket No. NG-0041, Aquila Networks (PNG Nebraska); testimony supporting proposed depreciation rates.

Public Service Commission of Nevada, Docket No. 92-7002, Central Telephone Company-Nevada; testimony supporting proposed depreciation rates.

Public Service Commission of Nevada, Docket No. 91-5054, Central Telephone Company-Nevada; testimony supporting proposed depreciation rates.

New Hampshire Public Utilities Commission, Docket No. DR95-169, Granite State Electric Company; testimony supporting proposed net salvage rates.

New Jersey Board of Public Utilities, Docket No. GR07110889, New Jersey Natural Gas Company; testimony supporting proposed depreciation rates.

New Jersey Board of Public Utilities, Docket No. GR87060552, New Jersey Natural Gas Company; testimony concerning depreciation rates.

New Jersey Board of Regulatory Commissioners, Docket No. GR93040114J, New Jersey Natural Gas Company; testimony concerning depreciation rates.

New York Public Service Commission, Case No. 12-G-0202. Niagara Mohawk Power Corporation d/b/a National Grid; testimony supporting recommended depreciation rates.

New York Public Service Commission, Case No. 10-E-0050. Niagara Mohawk Power Corporation d/b/a National Grid; testimony supporting recommended depreciation rates.

North Carolina Utilities Commission, Docket No. E-7, SUB 487, Duke Power Company; rebuttal testimony concerning proposed depreciation rates.

North Carolina Utilities Commission, Docket No. P-19, SUB 207, General Telephone Company of the South; rebuttal testimony concerning the equal-life group depreciation procedure.

North Dakota Public Service Commission, Case No. 8860, Northern States Power Company; testimony concerning general financial requirements.

North Dakota Public Service Commission, Case No. 9634, Northern States Power Company; testimony concerning rate of return and general financial requirements.

North Dakota Public Service Commission, Case No. 9666, Northern States Power Company; testimony concerning rate of return and general financial requirements.

North Dakota Public Service Commission, Case No. 9741, Northern States Power Company; testimony concerning rate of return and general financial requirements.

Oklahoma Corporation Commission, Cause No. PUD 200900110, Oklahoma Natural Gas Company; testimony supporting revised depreciation rates.

Ontario Energy Board, E.B.R.O. 385, Tecumseh Gas Storage Limited; testimony concerning depreciation rates.

Ontario Energy Board, E.B.R.O. 388, Union Gas Limited; testimony concerning depreciation rates.

Ontario Energy Board, E.B.R.O. 456, Union Gas Limited; testimony concerning depreciation rates.

Ontario Energy Board, E.B.R.O. 476-03, Union Gas Limited; testimony concerning depreciation rates.

Public Utilities Commission of Ohio, Case No. 81-383-TP-AIR, General Telephone Company of Ohio; testimony in support of the remaining-life technique.

Public Utilities Commission of Ohio, Case No. 82-886-TP-AIR, General Telephone Company of Ohio; testimony concerning the remaining-life technique and the equal-life group procedure.

Public Utilities Commission of Ohio, Case No. 84-1026-TP-AIR, General Telephone Company of Ohio; testimony in support of the equal-life group procedure and the remaining-life technique.

Public Utilities Commission of Ohio, Case No. 81-1433, The Ohio Bell Telephone Company; testimony concerning the remaining-life technique and the equal-life group procedure.

Public Utilities Commission of Ohio, Case No. 83-300-TP-AIR, The Ohio Bell Telephone Company; testimony concerning straight-line age-life depreciation.

Public Utilities Commission of Ohio, Case No. 84-1435-TP-AIR, The Ohio Bell Telephone Company; testimony in support of test period depreciation expense.

Public Utilities Commission of Oregon, Docket No. UM 204, GTE of the Northwest; testimony concerning the theory and practice of depreciation accounting under public utility regulation.

Public Utilities Commission of Oregon, Docket No. UM 840, GTE Northwest Incorporated; rebuttal testimony concerning principles of capital recovery.

Pennsylvania Public Utility Commission, Docket No. R-80061235, The Bell Telephone Company of Pennsylvania; testimony concerning the proper depreciation reserve to be used with an original cost rate base.

Pennsylvania Public Utility Commission, Docket No. R-811512, General Telephone Company of Pennsylvania; testimony concerning the proper depreciation reserve to be used with an original cost rate base.

Pennsylvania Public Utility Commission, Docket No. R-811819, The Bell Telephone Company of Pennsylvania; testimony concerning the proper depreciation reserve to be used with an original cost rate base.

Pennsylvania Public Utility Commission, Docket No. R-822109, General Telephone Company of Pennsylvania; testimony in support of the remaining-life technique.

Pennsylvania Public Utility Commission, Docket No. R-850229, General Telephone Company of Pennsylvania; testimony in support of the remaining-life technique and the proper depreciation reserve to be used with an original cost rate base.

Pennsylvania Public Utility Commission, Docket No. C-860923, The Bell Telephone Company of Pennsylvania; testimony concerning capital recovery under competition.

Rhode Island Public Utilities Commission, Docket No. 2290, The Narragansett Electric Company; testimony supporting proposed net salvage rates and depreciation rates.

South Carolina Public Service Commission, Docket No. 91-216-E, Duke Power Company; testimony supporting proposed depreciation rates.

Public Utilities Commission of the State of South Dakota, Case No. F-3062, Northern States Power Company; testimony concerning general financial requirements and measurements of financial performance.

Public Utilities Commission of the State of South Dakota, Case No. F-3188, Northern States Power Company; testimony concerning rate of return and general financial requirements.

Securities and Exchange Commission, File No. 3-5749, Northern States Power Company; testimony concerning the financial and ratemaking implications of an affiliation with Lake Superior District Power Company.

Tennessee Public Service Commission, Docket No. 89-11041, United Inter-Mountain Telephone Company; testimony concerning depreciation principles and capital recovery under competition.

The Railroad Commission of Texas, GUD Docket No. 9988, Texas Gas Service, testimony supporting recommended depreciation rates.

State of Vermont Public Service Board, Docket No. 6596, Citizens Communications Company – Vermont Electric Division; testimony supporting recommended depreciation rates.

State of Vermont Public Service Board, Docket No. 6946 and 6988, Central Vermont Public Service Corporation; testimony supporting net salvage rates.

Commonwealth of Virginia State Corporation Commission, Case No. PUE-2002-00364, Washington Gas Light Company; testimony supporting proposed depreciation rates.

Public Service Commission of Wisconsin, Docket No. 2180-DT-3, General Telephone Company of Wisconsin; testimony concerning the equal-life group depreciation procedure.

SPEAKER

Depreciation Training Seminar, Florida Public Service Commission, March 2013.

Depreciation and Obsolescence (Isness and Oughtness), Ninety-Fifth Annual Arizona Tax Conference, August 2012.

Group Depreciation Practices of Regulated Utilities (IAS 16 Property, Plant and Equipment), Hydro One Networks, Inc., November 2008.

Economics, Finance and Engineering Valuation. Florida Gulf Coast University, April 2007.

Depreciation Studies for Regulated Utilities, Hydro One Networks, Inc., April 2006.

Depreciation Studies for Cooperatives and Small Utilities. TELERGEE CFO and Controllers Conference, November, 2004.

Finding the “D” in RCNLD (Valuation Applications of Depreciation), Society of Depreciation Professionals Annual Meeting, September 2001.

Capital Asset and Depreciation Accounting, City of Edmonton Value Engineering Workshop, April 2001.

A Valuation View of Economic Depreciation, Society of Depreciation Professionals Annual Meeting, October 1999.

Capital Recovery in a Changing Regulatory Environment, Pennsylvania Electric Association Financial-Accounting Conference, May 1999.

Depreciation Theory and Practice, Southern Natural Gas Company Accounting and Regulatory Seminar, March 1999.

Depreciation Theory Applied to Special Franchise Property, New York Office of Real Property Services, March 1999.

Capital Recovery in a Changing Regulatory Environment, PowerPlan Consultants Annual Client Forum, November 1998.

Economic Depreciation, AGA Accounting Services Committee and EEI Property Accounting and Valuation Committee, May 1998.

Discontinuation of Application of FASB Statement No. 71, Southern Natural Gas Company Accounting Seminar, April 1998.

Forecasting in Depreciation, Society of Depreciation Professionals Annual Meeting, September 1997.

Economic Depreciation In Response to Competitive Market Pricing, 1997 TELUS Depreciation Conference, June 1997.

Valuation of Special Franchise Property, City of New York, Department of Finance Valuation Seminar, March 1997.

Depreciation Implications of FAS Exposure Draft 158-B, 1996 TLG Decommissioning Conference, October 1996.

Why Economic Depreciation?, American Gas Association Depreciation Accounting Committee Meeting, August 1995.

The Theory of Economic Depreciation, Society of Depreciation Professionals Annual Meeting, November 1994.

Vintage Depreciation Issues, G & T Accounting and Finance Association Conference, June 1994.

Pricing and Depreciation Strategies for Segmented Markets (Regulated and Competitive), Iowa State Regulatory Conference, May 1990.

Principles and Practices of Depreciation Accounting, Canadian Electrical Association and Nova Scotia Power Electric Utility Regulatory Seminar, December 1989.

Principles and Practices of Depreciation Accounting, Duke Power Accounting Seminar, September 1989.

The Theory and Practice of Depreciation Accounting Under Public Utility Regulation, GTE Capital Recovery Managers Conference, February 1989.

Valuation Methods for Regulated Utilities, GTE Capital Recovery Managers Conference, January 1988.

Depreciation Principles and Practices for REA Borrowers, NRECA 1985 National Accounting and Finance Conference, September 1985.

Depreciation Principles and Practices for REA Borrowers, Kentucky Association of Electric Cooperatives, Inc., Summer Accountants Association Meeting, June 1985.

Considerations in Conducting a Depreciation Study, NRECA 1984 National Accounting and Finance Conference, October 1984.

Software for Conducting Depreciation Studies on a Personal Computer, United States Independent Telephone Association, September 1984.

Depreciation—An Assessment of Current Practices, NRECA 1983 National Accounting and Finance Conference, September 1983

Depreciation—An Assessment of Current Practices, REA National Field Conference, September 1983.

An Overview of Depreciation Systems, Iowa State Commerce Commission, October 1982.

Depreciation Practices for Gas Utilities, Regulatory Committee of the Canadian Gas Association, September 1981.

Practice, Theory, and Needed Research on Capital Investment Decisions in the Energy Supply Industry, workshop, sponsored by Michigan State University and the Electric Power Research Institute, November 1977.

Depreciation Concepts Under Regulation, Public Utilities Conference, sponsored by The University of Texas at Dallas, July 1976.

Electric Utility Economics, Mid-Continent Area Power Pool, May 1974. Page 57

MODERATOR

Depreciation Open Forum, Iowa State University Regulatory Conference, May 1991.

The Quantification of Risk and Uncertainty in Engineering Economic Studies, Iowa State University Regulatory Conference, May 1989.

Plant Replacement Decisions with Added Revenue from New Service Offerings, Iowa State University Regulatory Conference, May 1988.

Economic Depreciation, Iowa State University Regulatory Conference, May 1987.

Opposing Views on the Use of Customer Discount Rates in Revenue Requirement Comparisons, Iowa State University Regulatory Conference, May 1986.

Cost of Capital Consequences of Depreciation Policy, Iowa State University Regulatory Conference, May 1985.

Concepts of Economic Depreciation, Iowa State University Regulatory Conference, May 1984.

Ratemaking Treatment of Large Capacity Additions, Iowa State University Regulatory Conference, May 1983.

The Economics of Excess Capacity, Iowa State University Regulatory Conference, May 1982.

New Developments in Engineering Economics, Iowa State University Regulatory Conference, May 1980.

Training in Engineering Economy, Iowa State University Regulatory Conference, May 1979.

The Real Time Problem of Capital Recovery, Missouri Public Service Commission, Regulatory Information Systems Conference, September 1974.

HONORS AND AWARDS

The Society of Sigma Xi.

Professional Achievement Citation in Engineering, Iowa State University, 1993.

1 **PAYMENTS IN LIEU OF CORPORATE INCOME TAXES**

2
3 **1.0 OVERVIEW**

4
5 B2M LP seeks approval for the corporate minimum tax expense of \$0.4 million for the
6 2015 to 2017 test years and \$0.9 million for 2018 and \$1.1 million for 2019 as presented
7 in Exhibit C2, Tab 3, Schedule 1.

8
9 **2.0 PAYMENT IN LIEU OF TAX**

10
11 **2.1 Introduction**

12 B2M LP is a limited partnership within the meaning of the *Limited Partnership Act*
13 (Ontario). A partnership is generally not taxable under the *Income Tax Act*. A
14 partnership is required to compute its taxable income, which is then allocated to its
15 partners. The partners of B2M LP include:

16

Members	Description
B2M GP Inc.	A corporation owned indirectly by Hydro One Inc.
Saugeen Ojibway Nation Finance Corporation ("SON FC") - Nominee for SON	A corporation owned directly by the First Nations
Hydro One B2M LP Inc.	A corporation owned indirectly by Hydro One Inc.

17
18 SON FC and its shareholders are not subject to payment in lieu of corporate tax ("PILS")
19 or Corporate Income Tax as demonstrated by the tax information in Attachment 1-A and
20 Attachment 1-B to this exhibit. Therefore, effectively, 34.19% of the income in B2M LP
21 is not subject to tax. B2M GP Inc. and Hydro One B2M LP Inc. are required to make
22 PILS payments to the Ontario Electricity Financial Corporation ("OEFC") and file
23 federal and provincial income tax returns with the Ontario Ministry of Finance, under the

1 *Electricity Act 1998*. The PILS remitted to the OEFC are calculated in accordance with
2 the *Income Tax Act* (Canada), and the *Taxation Act 2007* (Ontario), as modified by the
3 *Electricity Act, 1998*.

4

5 **2.2 Regulatory Income Tax Expense**

6

7 The Board has directed that the taxes payable method should be used for regulatory
8 purposes, according to its 2006 EDR Handbook, Section 7.1 “OEB 2006 Regulatory
9 Taxes Expense Methodology”.

10

11 Under the taxes payable method, no provision is made for future income taxes that result
12 from timing differences between the tax basis of assets and liabilities and their carrying
13 amounts for accounting purposes. Accordingly, the taxes payable method will result in
14 the PILs income tax payable being different from the amount that would have been
15 recorded, had the combined Canadian Federal and Ontario statutory income tax rate been
16 applied to the regulatory net income before tax. When unrecorded future income taxes
17 become payable, it is expected that they will be included in the rates approved by the
18 Board and recovered from customers at that time. Regulatory Income Taxes for B2M LP
19 are determined by applying the statutory tax rate to the regulatory taxable income
20 allocated to B2M GP Inc. and Hydro One B2M LP Inc.

21

22 **2.3 Corporate Minimum Tax**

23

24 Ontario corporate minimum tax (“OCMT”) is designed to impose a minimum tax based
25 on financial statement income calculated without most tax adjustments. The OCMT paid
26 in the year can be applied to reduce taxes payable in future year. B2M GP Inc. is subject
27 to OCMT in the 2015 to 2018 test year as shown in Exhibit C2, Tab 3, Schedule 1,

1 Attachment 1. B2M LP proposes to recover the OCMT expense incurred by the B2M GP
2 Inc. in the 2015 to 2018 test year in the revenue requirement.

3
4 **3.0 RECONCILIATION BETWEEN REGULATORY NET INCOME BEFORE**
5 **TAX AND TAXABLE INCOME**

6
7 Reconciliation between the regulatory net income before tax (“NIBT”) and taxable
8 income for the test year 2015 to 2019 is provided in Exhibit C2, Tab 3, Schedule 1,
9 Attachment 1. This schedule contains the income tax component of the PILs
10 computation. It also shows how the taxable income is computed by making adjustments
11 to the regulatory NIBT for items such as depreciation and capital cost allowance
12 (“CCA”).

13
14 **4.0 OVERVIEW OF PROCESS TO ARRIVE AT TAXABLE INCOME**

15
16 The starting point for the computation of B2M LP taxable income is the NIBT as shown
17 on the utility's income statement for the year. The NIBT is prepared using U.S.
18 Generally Accepted Accounting Principles, but taxable income is computed using the
19 relevant tax legislation, interpretations and assessing practices. Many adjustments are
20 typically made to the NIBT to arrive at taxable income. Essentially, the NIBT is
21 increased by amounts that are not deductible for tax purposes such as depreciation. On
22 the other hand, the NIBT is reduced by amounts that are deductible for tax purposes but
23 have not been deducted in computing NIBT such as CCA.

TAX RULINGS

Attached are the four (4) tax rulings received from the provincial and federal tax authorities in connection with the sale of Hydro One transmission assets to B2M LP and the related First Nations' equity investment in B2M LP.

A. Federal Tax Ruling for Chippewas of Nawash Unceded First Nation ("Nawash"). The ruling from the Canada Revenue Agency ("CRA") confirms that Nawash is exempt from tax or not subject to tax under the Income Tax Act (Canada) ("ITA") on income allocated by B2M LP in respect of the operation of the B2M transmission assets. CRA also opines that as long as SON FC holds the partnership interest as nominee or agent for the First Nations, the income allocated by B2M LP to SON FC will be the income of First Nations and not of SON FC.

B. Federal Tax Ruling for Chippewas of Saugeen First Nation ("Saugeen"). The ruling from the CRA confirms that Saugeen is exempt from tax or not subject to tax under the ITA on income allocated by B2M LP in respect of the operation of the B2M transmission assets. CRA also opines that as long as SON FC holds the partnership interest as nominee or agent for the First Nations, the income allocated by B2M LP to SON FC will be the income of First Nations and not of SON FC.

C. Ontario Tax Ruling for Hydro One Transmission and Affiliated Companies ("Hydro One") ("Original Ontario Tax Ruling"). Hydro One is subject to payments in lieu of Federal and Provincial income taxes ("Proxy tax") under the Electricity Act, 1998 ("EA"). The ruling received from Ontario confirms that B2M LP, Saugeen and Nawash are not subject to Proxy tax under the EA. The ruling also confirms the tax positions reflected in the rate filing application, such

1 as: interest deductibility, deductibility of B2M LP's operating payments to Hydro
2 One Transmission, application of tax-deferral income tax provisions to asset
3 transfers, deductibility/non-taxation of dividend income and computation of tax
4 attributes.

5 D. Amended Ontario Tax Ruling for Hydro One confirming that the introduction of
6 two (2) key changes in the facts previously submitted, i.e. creation of two (2)
7 classes of partnership units and of a mandatory put option effective in case of a
8 default event, do not change the tax positions outlined in the Original Ontario Tax
9 Ruling.



Michael Templeton
McMillan LLP
181 Bay Street, Suite 4400
Toronto ON M5J 2T3

Your file Votre référence

Our file Notre référence
2013-047876
Ann Townsend
905-721-5096

November 28, 2013

Dear Mr. Templeton:

Re: Advance Income Tax Ruling – Chippewas of Nawash First Nation

This is in reply to your letter of February 14, 2013, in which you requested an advance income tax ruling on behalf of the above-named taxpayer. We acknowledge your additional submissions of February 15, 2013, March 11, 2013, July 5, 2013, September 24, 2013, October 22, 2013, November 14, 2013 and November 26, 2013 as well as various telephone conversations (Townsend/Templeton, Moore/Templeton, Filion/Templeton, Fron/Templeton and Erskine/Templeton).

We understand that, to the best of your knowledge and that of the taxpayer, none of the issues involved in the ruling request are:

- (i) in an earlier return of the taxpayer or a related person;
- (ii) being considered by a tax services office or taxation centre in connection with a previously filed tax return of the taxpayer or a related person;
- (iii) under objection by the taxpayer or a related person;
- (iv) before the courts, or if a judgment has been issued, the time limit for appeal to a higher court has expired; or
- (v) the subject of a ruling previously considered by the Directorate to the taxpayer or a related person.

Unless otherwise stated, all references to a statute are to the *Income Tax Act* (Canada), R.S.C. 1985, c.1 (5th Supp.), as amended to the date of this letter, (the "Act"), and all terms and conditions used herein that are defined in the Act have the meaning given in such definition unless otherwise indicated.

Our understanding of the relevant definitions, the facts, proposed transactions and the purposes of the proposed transactions is as follows:

.../cont'd

DEFINITIONS:

In this letter, the following terms have the following meanings:

- a) "Band" has the meaning provided under subsection 2(1) of the Indian Act;
- b) "Eligible Person" as defined in the partnership agreement, means:
 - (i) a Band, or;
 - (ii) Xco, or;
 - (iii) any person that is wholly owned, directly or indirectly, by persons described in (i) and (ii);
- c) "Bare Trustco" means 1893080 Ontario Inc. (which will be renamed Saugeen Ojibway Nations Finance Corporation), a new corporation incorporated for the purposes of holding legal title to an interest in the Limited Partnership on behalf of the First Nations;
- d) "FN1" means the Chippewas of Saugeen First Nation, band #123;
- e) "FN2" means the Chippewas of Nawash First Nation, band #122;
- f) "First Nations" means collectively, FN1 and FN2;
- g) "GP Inc." means B2M GP Inc., an affiliate of Xco that will be the general partner of the Limited Partnership;
- h) "Indian Act" means the *Indian Act* R.S.C. 1985, c.I-5, as amended;
- i) "Limited Partnership" refers to the Bruce-to-Milton L.P. to be formed to own and operate the recently constructed Line;
- j) "Line" means the high-voltage electrical transmission tower line with circuit number B561M and that portion of the high-voltage electrical transmission tower line with circuit number B560V spanning from Yco's switchyard at the Bruce Power Nuclear Generating Facility located in Kincardine, Ontario to Yco's electrical transmission line, constructed by Yco, from the Bruce Power Nuclear Generating Facility in Kincardine, Ontario to Yco's switchyard in Milton, which traverses the traditional territory of the First Nations;
- k) "LP Inc." refers to an affiliate of Xco that will be a limited partner of the Limited Partnership;
- l) "Member" means an individual whose name appears on the "Band List" of the FN2, as defined in the Indian Act and maintained by the FN2 in accordance with section 10 of the Indian Act (collectively, members);
- m) "Reserve" means the FN2's reserves as described in paragraph 4 of this letter and that are "reserves" as defined in subsection 2(1) of the Indian Act;
- n) "Xco" means Hydro One Inc;
- o) "Yco" means Hydro One Networks Inc., a wholly owned subsidiary of Xco, which itself is owned by the Province of Ontario.

..../cont'd

FACTS:

1. The FN2's mailing address is:

Chippewas of Nawash First Nation
135 Lakeshore Blvd. RR#5.
Warton, Ontario NOH 2T0

2. The FN2 files any tax documentation with the Shawinigan-Sud Tax Centre. The FN2's business identification number is 106916414.
3. The FN2 is a Band.
4. The FN2's reserves are: Neyaashiinigiing Indian Reserve No. 27, located north of Warton Ontario, in Georgian Bay; Cape Croker Hunting Ground Indian Reserve Number 60B, located 70 kilometres north of the Reserve No. 27 along Highway 6 and is approximately 2,199.04 acres in size.
5. The FN2 has approximately 2,471 Members, of whom approximately 702 live on the Reserve
6. The FN2 is governed by a democratically elected chief and 9 elected councillors who were elected pursuant to the Indian Act. The chief and band council are responsible for the governance of the FN2 and have the power to make by-laws in accordance with the Indian Act.
7. The FN2 employs a First Nation Administrator who, under the direction of the chief and band council, is responsible for administrative management of the FN2.
8. The FN2 is one of the listed bands that are authorized pursuant to the *Indian Band Revenue Moneys Order*, # SOR/90-297, to control, manage, and expend in whole their revenue money under subsection 69(1) of the Indian Act.
9. The FN2 has enacted various by-laws pursuant to section 81 of the Indian Act concerning:
 - a. Animal Control
 - b. Ancillary Powers (i.e.: promote the enforcement of band by-laws)
 - c. Traffic
 - d. Fishing and Hunting
10. The FN2 has enacted by-laws pursuant to section 85.1 of the Indian Act.
11. The FN2 has entered into a Health Services Consolidated Contribution Agreement with Health Canada whereby the FN2 has accepted responsibility to provide certain health programs and services to its Members. The FN2 maintains a health department and hires nurses to provide these health services. The services

..../cont'd

provided are set out in the Community Health Plan and include: prenatal care, infant development, health education, substance abuse and addiction services, mental health, home care and other community health issues. The FN2 recently negotiated with Health Canada to renew its Health Services Transfer Agreement for a 3 year period commencing April of 2012.

12. The FN2 has a comprehensive funding arrangement with the Aboriginal Affairs and Northern Development Canada ("AANDC") to assist the FN2 in providing services to its Members including: education (funding for the FN2 school and tuition support for off-reserve education); social assistance (funding for home care, employment training, income support and day care); infrastructure (funding for roads, bridges, water and waste water facilities).
13. The FN2 owns and maintains a school for junior kindergarten to grade 8. The FN2 hires the principal and teachers for this school and oversees the school board. Members of the FN2 attend secondary school at high schools operated by the Blue Water District School Board and the Bruce-Grey Catholic District School Board as a result of memorandum of understanding with these school boards under which the FN2 pays tuition for the FN2 students. The FN2 also provides adult education services to its Members including: computer training, an entrepreneurship course, academic upgrading, professional development, and wellness and health promotion.
14. The FN2 administers a welfare program on the Reserve. It has an agreement with the province of Ontario under which the FN2 administers welfare payments in accordance with provincial guidelines. The FN2 employs five people to administer these programs, which review applications for welfare and arrange for payments. Eligibility for welfare and the amount paid are administered by the FN2, based on the criteria established by the province of Ontario. Where necessary, the FN2 employees also visit the homes of welfare applicants. As part of the welfare program, the FN2 also administers an addiction services initiative. Under this initiative, individuals in need of treatment for addiction may qualify for welfare payments by obtaining addiction treatment instead of looking for work or engaging in work training.
15. The FN2 provides and administers the public works services on the Reserve, which includes road maintenance, water supply, garbage services and lagoon services. The FN2 owns the equipment and hires the employees to provide these services. The FN2 is responsible for the maintenance of the roads and the removal of snow on the Reserve. The FN2 receives a subsidy through the Ontario Ministry of Transportation for the maintenance of the roads.
16. The FN2 is responsible for the water supply for most Members living on the Reserve. The FN2 hires operators to ensure the efficient running of the water treatment and distribution system.
17. The FN2 has developed a community five year plan to manage the development of community lots, housing, commercial development and economic development

strategies. All land in the Reserve is held in a traditional manner and owned by the membership as a whole. The FN2 allows people and businesses to use the land and make any improvements to the land. Approximately 4,035 hectares (64%) of the Reserve are unallocated lands (referred to as "Band lands"), which are controlled by the band council. The use and occupation rights to the remaining lands, approximately 2,218 hectares (36%), have been allocated to individual band members and are held under Certificates of Possession.

18. The FN2 has a funding arrangement in place with the Canada Mortgage and Housing Corporation (CMHC) to assist the FN2 in providing housing to its Members. Through the funding provided by CMHC, the FN2 has been able to complete several residential housing projects including a senior residence. The FN2 currently owns and maintains 46 separate residential housing units including a large apartment complex. Allocations of band-provided housing are based on a Housing Policy established by the FN2.
19. Facilities located on the Reserve that are owned, operated and maintained by the FN2 include:
 - a) Administrative Building (This building houses a meeting room for meetings of Chief and Council, the offices for the executive of the FN2 including offices for the Chief, Executive Assistant to the Chief, HR Manager, Band Administrator, Finance Department (3, soon to be 4 employees), Land and Membership (2 employees), and Fisheries (3 employees).) Pump Station (used to pump water to residents of the Reserve)
 - b) Adult Education Centre
 - c) Health Station (This is a separate building where the FN2 administers its preventative health programs. The programs are run by a community health nurse and a clerk employed by the FN2, whose duties include administering non-insured health benefits for the FN2 members and arranging for transportation for the FN2 members in need of health care services away from the community.)
 - d) Landfill
 - e) Playgrounds
 - f) Tourism facilities (park with campsites)
 - g) Recreation centre/community complex
 - h) Ice rink (outdoor rink located at the baseball diamond)
 - i) Sewage lagoon / water infrastructure
20. Certain buildings including the sports centre are owned, maintained and operated by the FN2 for its Members. User fees and rental charges are levied for the use of recreational and meeting facilities for certain activities. The FN2 establishes the user fees.

21. The FN2 owns and maintains a radio tower and the related equipment to provide communication services to emergency response teams and the FN2's Public Works Department. The FN2 has entered into an agreement with an internet services provider that has equipment on the FN2's tower on the Reserve, to offer wireless internet access on the Reserve. By entering into this agreement, the FN2 has enabled its Members to receive internet service that they would not otherwise receive due to the low population.

PROPOSED TRANSACTIONS:

22. The First Nations have reached an agreement with Xco under which the First Nations will acquire an interest in the Limited Partnership.
23. Yco will transfer the Line to the Limited Partnership.
24. Bare Trustco will agree to hold title to the partnership interest as nominee and agent for and on behalf of the First Nations. The shares of Bare Trustco will be legally registered in the names of the Chiefs of each of the FN1 and the FN2, whom will hold the shares as nominee and agent for the FN1 and the FN2, respectively.
25. The proposed relationship between Bare Trustco and the First Nations will be evidenced in writing by the Draft Nominee Agreement.
26. There will be no transfer of partnership units or the issue of units to any person other than an Eligible Person.
27. The First Nations will contribute approximately \$72 million to the Limited Partnership for approximately a 34% interest in the Limited Partnership based on the expected value of the assets at closing and LP Inc. and GP Inc. will contribute approximately \$141 million to the Limited Partnership for approximately a 66% interest in the Limited Partnership based on the expected value of the assets at closing.
28. GP Inc. will negotiate, on behalf of the Limited Partnership, all contracts and manage all projects and operations to which the Limited Partnership is a party in respect of the Line.
29. The Limited Partnership will commence operations after the Ontario Energy Board approves the transfer of the Line to the Limited Partnership, grants the Limited Partnership a transmission licence and makes a transmission rate order in favour of the Limited Partnership. Thereafter, the Limited Partnership will make distributions and allocate income and loss to its partners from time-to-time in accordance with the partnership agreement.

PURPOSES OF PROPOSED TRANSACTIONS

30. The purposes of the proposed transactions are as follows:

.../cont'd

- a) To generate a long-term source of income for the FN2 to support the governance, public works and infrastructure needs of each community and to promote economic development such that the FN2 will become economically self-sufficient while maintaining a stewardship role over their lands.
- b) To protect the FN2 from liability arising from activities related to the Transmission Line.
- c) To provide employment and job training for Members of the FN2.
- d) To support projects and activities for the general benefit of the FN2.

RULING GIVEN:

Provided that the preceding statements constitute a complete and accurate disclosure of all of the relevant facts, proposed transactions and purposes of the proposed transactions, we rule as follows:

Because the FN2 is, and as long as it continues to be, a public body performing a function of government in Canada within the meaning of paragraph 149(1)(c) of the Act, and therefore exempt from tax under Part I of the Act, no tax will be payable under Part I of the Act by the FN2 on income allocated to the FN2 by the Limited Partnership in respect of the operation of the Line, carried on by the Limited Partnership as a result of the proposed transactions described above.

The above advance income tax ruling, which is based on the Act in its present form and does not take into account any proposed amendments thereto, is given subject to the general limitations and qualifications set out in Information Circular 70-6R5, "Advance Income Tax Rulings", dated May 17, 2002, and is binding on the Canada Revenue Agency ("CRA") provided that the proposed transactions are completed by December 31, 2014.

OPINION:

So long as Bare Trustco continues to hold the partnership interest in the Limited Partnership as nominee and agent for the First Nations as described in paragraphs 24 and 25, the income allocated to Bare Trustco by the Limited Partnership on such partnership interest will be the income of the First Nations and not the income of Bare Trustco for purposes of computing income under Part I of the Act.

It is not the practice of the CRA to issue an income tax ruling on an issue related solely to the common law. Therefore, nothing in this letter should be construed as implying that the CRA has reviewed or agreed that the Draft Nominee Agreement creates an agency relationship for income tax purposes.

CAVEAT:

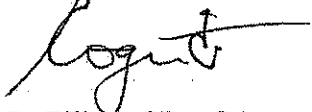
Nothing in this letter should be construed as implying that the CRA has reviewed or agreed:

.../cont'd

- that the partnership agreement creates a legal partnership for income tax purposes;
- to the determination of the adjusted cost base, paid-up capital or fair market value of any shares or other property referred to herein; or
- to any tax consequences relating to the facts and the Proposed Transactions described herein other than those described in the rulings given above.

This letter is based solely on the facts and the proposed transactions described above. The documentation submitted with your request does not form part of the facts and proposed transactions and any references thereto are provided solely for the convenience of the reader. A copy of this letter will be forwarded to the Charities Directorate of the CRA.

Yours truly,



R. Filion, CPA, CA
For Director
Business and Employment Division
Income Tax Rulings Directorate
Legislative Policy and Regulatory Affairs Branch



Michael Templeton
McMillan LLP
181 Bay Street, Suite 4400
Toronto ON M5J 2T3

Your file Votre référence

Our file Notre référence
2013-047875
Ann Townsend
905-721-5096

November 28, 2013

Dear Mr. Templeton:

Re: Advance Income Tax Ruling – Chippewas of Saugeen First Nation

This is in reply to your letter of February 14, 2013, in which you requested an advance income tax ruling on behalf of the above-named taxpayer. We acknowledge your additional submissions of February 15, 2013, March 11, 2013, July 5, 2013, September 24, 2013, October 22, 2013, November 14, 2013 and November 26, 2013 as well as various telephone conversations (Townsend/Templeton, Moore/Templeton, Filion/Templeton, Fron/Templeton and Erskine/Templeton).

We understand that, to the best of your knowledge, and that of the taxpayer, none of the issues involved in the ruling request are:

- (i) in an earlier return of the taxpayer or a related person;
- (ii) being considered by a tax services office or taxation centre in connection with a previously filed tax return of the taxpayer or a related person;
- (iii) under objection by the taxpayer or a related person;
- (iv) before the courts, or if a judgment has been issued, the time limit for appeal to a higher court has expired; or
- (v) the subject of a ruling previously considered by the Directorate to the taxpayer or a related person.

Unless otherwise stated, all references to a statute are to the *Income Tax Act* (Canada), R.S.C. 1985, c.1 (5th Supp.), as amended to the date of this letter, (the "Act"), and all terms and conditions used herein that are defined in the Act have the meaning given in such definition unless otherwise indicated.

Our understanding of the relevant definitions, the facts, proposed transactions and the purposes of the proposed transactions is as follows:

.../cont'd

DEFINITIONS:

In this letter, the following terms have the following meanings:

- a) "Band" has the meaning provided under subsection 2(1) of the Indian Act;
- b) "Eligible Person" as defined in the partnership agreement, means:
 - (i) a Band, or;
 - (ii) Xco, or;
 - (iii) any person that is wholly owned, directly or indirectly, by persons described in (i) and (ii);
- c) "Bare Trustco" means 1893080 Ontario Inc. (which will be renamed Saugeen Ojibway Nations Finance Corporation), a new corporation incorporated for the purposes of holding legal title to an interest in the Limited Partnership on behalf of the First Nations;
- d) "FN1" means the Chippewas of Saugeen First Nation, band #123;
- e) "FN2" means the Chippewas of Nawash First Nation, band #122;
- f) "First Nations" means collectively, FN1 and FN2;
- g) "GP Inc." means B2M GP Inc. an affiliate of Xco that will be the general partner of the Limited Partnership;
- h) "Indian Act" means the *Indian Act* R.S.C. 1985, c.I-5, as amended;
- i) "Limited Partnership" refers to the Bruce-to-Milton L.P. to be formed to own and operate the recently constructed Line;
- j) "Line" means the high-voltage electrical transmission tower line with circuit number B561M and that portion of the high-voltage electrical transmission tower line with circuit number B560V spanning from Yco's switchyard at the Bruce Power Nuclear Generating Facility located in Kincardine, Ontario to Yco's electrical transmission line, constructed by Yco, from the Bruce Power Nuclear Generating Facility in Kincardine, Ontario to Yco's switchyard in Milton, which traverses the traditional territory of the First Nations;
- k) "LP Inc." refers to an affiliate of Xco that will be a limited partner of the Limited Partnership;
- l) "Member" means an individual whose name appears on the "Band List" of the FN1, as defined in the Indian Act and maintained by the FN1 in accordance with section 10 of the Indian Act;
- m) "Reserve" means the FN1's reserves as described in paragraph 3 of this letter and that are "reserves" as defined in subsection 2(1) of the Indian Act;
- n) "Xco" means Hydro One Inc;
- o) "Yco" means Hydro One Networks Inc., a wholly owned subsidiary of Xco, which itself is owned by the Province of Ontario.

..../cont'd

FACTS:

1. The FN1's mailing address is 6493, Highway 21, R. R. # 1, Southampton, Ontario, NOH 2LO. The FN1 is served by the Ottawa Tax Services Office and files any tax documentation with the Ottawa Tax Centre. The FN1's business identification number is 107957938.
2. The FN1 is a Band.
3. The FN1's reserves are: Chiefs Point Reserve No 28, Saugeen Reserve No. 29, Saugeen Hunting Grounds No 60A and Saugeen & Cape Croker Fishing Islands Indian Reserve No. I. The reserves are located on the shores of Lake Huron at the base of the Bruce Peninsula in Ontario.
4. The FN1 has approximately 1,676 Members, of whom approximately 774 live on the Reserve.
5. FN1 is governed by a democratically elected chief and 9 elected councillors who were elected pursuant to the Indian Act. The chief and band council are responsible for the governance of the FN1 and have the power to make by-laws in accordance with the Indian Act.
6. The FN1 employs a Chief Executive Officer who, under the direction of the chief and council, is responsible for administrative management of the FN1.
7. The FN1 has passed the following by-laws pursuant to section 81 of the Indian Act:
 - a. Animal Control By-law
 - b. Children's Curfew By-law
 - c. Nuisance By-law
 - d. Streets and Traffic By-law
 - e. Waste Management By-law
 - f. Firearms Regulation By-law
 - g. Use of Public Wells By-law
 - h. Control of Snow Vehicles By-law
 - i. Establish Fire Department By-law
 - j. Control of Motor Vehicles By-law
 - k. Sauble Park By-law
 - l. Control of Campgrounds By-law
 - m. Garbage Bag Tag Collection By-law

8. The FN1 is one of the listed Bands that are authorized pursuant to the Indian Band Revenue Moneys Order, #SOR/90-297, to control, manage, and expend in whole their revenue money under subsection 69(1) of the Indian Act.
9. The FN1 has entered into a Health Services Consolidated Contribution Agreement with Health Canada whereby the FN1 has accepted responsibility to provide certain health programs and services to its Members. The services to be provided are set out in the Community Health Plan. Programs include those related to prenatal care, infant development, health education, substance abuse and addiction services, mental health, home care and other community health issues. The FN1 negotiated with Health Canada to renew its Health Services Transfer Agreement for a 3-year period commencing 2013.
10. Each year the FN1 enters into a comprehensive funding agreement with Aboriginal Affairs and Northern Development Canada (AANDC). The funding covers essential services provided by the FN1 to and for its Members and funded by the Government of Canada. Under this agreement AANDC provides funding to the FN1 to assist in providing the following services to its Members: fire protection services, waste management services, education, day care, assisted living, and other social programs.
11. The FN1 is responsible for providing fire protection services on the reserve. To provide these services the FN1 owns, funds, maintains and operates a fire station, 2 fire trucks, and a rescue van. The FN1 employs a fire safety officer who oversees about 20 part time firefighters who are paid on a per call basis. In certain circumstances, if the fire or emergency is in the northern portion of the reserve, the dispatcher may call the Sauble Fire Department as the first responder to the call. If that occurs, the FN1 has an agreement with the Sauble Fire Department under which the FN1 compensates Sauble for the cost of the response. Similarly, if an emergency occurs outside the reserve, the dispatcher may direct the FN1 to be the first responder, in which case the FN1 would receive compensation from the responsible township.
12. The FN1 is responsible for garbage collection services on the reserves. It owns the necessary equipment and hires the personnel for these services.
13. The FN1 is responsible for providing education to the FN1 children that live on the Reserve. It meets this obligation through an agreement with the local municipal school boards under which the FN1 pays tuition to the local school boards for the attendance of the FN1 children at these schools.
14. The FN1 constructs housing for eligible Members who reside on the Reserve, which is funded by a subsidy from AANDC and borrowed funds. Allocations of band-provided housing are based on a Housing Policy established by the FN1.
15. The FN1 funds, owns, operates and maintains 4 apartment buildings, consisting of three 8 unit apartment buildings (one for singles, one for families and one for elders) and one 9 unit building for families.

16. The FN1 has entered into agreements with Canada Mortgage and Housing Corporation (CMHC) to allow the FN1 to assist Members in maintaining housing. It is the responsibility of the FN1 to apply, on behalf of the FN1 Members, for portions of this amount.
17. The FN1 has developed a community 20-year plan to manage the development of community lots, housing, commercial development and economic development strategies. The FN1 allows people and businesses to use the land and make any improvements to the land. The FN1 leases certain of its lands to persons that are not Members of the FN1. Where these tenants wish to construct or demolish buildings on the leased land, they are required to obtain permission and a building permit from the FN1.
18. The FN1 has a Works Department that is responsible for the repair and maintenance of the roads on the Reserve.
19. All of the buildings and facilities below are owned, funded, operated and maintained by the FN1:
 - a. Administrative Building (This building houses the offices for the executive of the FN1 including offices for the Chief, secretary to the Chief and Council, administrative secretary, human resources manager, band administrator, Finance Department (6 employees), Membership (1 employee), Education Department (3 employees), Adult Literacy (1 employee) and Housing Department (2 employees)).
 - b. Recreation Centre / Gymnasium (The gymnasium is located in the Recreation Centre owned by the FN1. The Recreation Centre includes a stage and an office for the building supervisor).
 - c. Employment Training Centre (Houses a couple of class rooms/meeting rooms used for adult employment training, a computer lab with several computers, an office for the director of adult training and his/her assistant as well as a workshop for woodworking training).
 - d. Health Clinic (The building is used to provide health services to the FN1 members. It houses the Health Director, a receptionist, a nurse and a part time doctor. Several departments operate out of the clinic including: mental health, healthy babies program, aids program and transportation aid for off-reserve medical appointments).
 - e. Landfill (The FN1 maintains a dump for the Reserve as well as a trash compactor. The FN1 is responsible for garbage collection and recycling which is handled by the FN1's Roads Department).
 - f. Roads and Bridges on the Reserve (This includes a works department building that houses several vehicles including: loaders, dump trucks, bulldozers, a grader, and a back hoe. 12 employees are employed to maintain and repair the roads on the reserves).
 - g. Playgrounds (The FN1 operates a baseball field with bleachers including a building which houses a change room and a canteen. The FN1 also

.../cont'd

provides three smaller playgrounds for use by its youth with slides and swings and other playground equipment).

- h. Tourism Facilities (The FN1 operates an amphitheater for presentations and a trailer that provides information about the history of the FN1. The FN1 patrols the beach located on the Reserve and keeps the beach clean and removes excess vegetation).
20. The FN1 purchases water from the Town of Southampton. The water runs to a booster substation, which is owned and operated by the FN1, and distributes the water throughout the Reserve. The FN1 is responsible for the infrastructure to accommodate this water supply.
21. The FN1 has installed a communications system on the Reserve, which provides for constant telephone and internet access. The FN1 installed the fibre optics for the system and the system is administered and maintained by the FN1.
22. Certain buildings and a sports centre owned and operated by the FN1 are made available for use by the FN1 Members. User fees and rental charges are levied for the use of recreational and meeting facilities for certain activities. The FN1 establishes the user fees.

PROPOSED TRANSACTIONS:

23. The First Nations have reached an agreement with Xco under which the First Nations will acquire an interest in the Limited Partnership.
24. Yco will transfer the Line to the Limited Partnership.
25. Bare Trustco will agree to hold title to the partnership interest as nominee and agent for and on behalf of the First Nations. The shares of Bare Trustco will be legally registered in the names of the Chiefs of each of the FN1 and the FN2, whom will hold the shares as nominee and agent for the FN1 and the FN2, respectively.
26. The proposed relationship between Bare Trustco and the First Nations will be evidenced in writing by the Draft Nominee Agreement.
27. There will be no transfer of partnership units or the issue of units to any person other than an Eligible Person.
28. The First Nations will contribute approximately \$72 million to the Limited Partnership for approximately a 34% interest in the Limited Partnership based on the expected value of the assets at closing and LP Inc. and GP Inc. will contribute approximately \$141 million to the Limited Partnership for approximately a 66% interest in the Limited Partnership based on the expected value of the assets at closing.

29. GP Inc. will negotiate, on behalf of the Limited Partnership, all contracts and manage all projects and operations to which the Limited Partnership is a party in respect of the Line.
30. The Limited Partnership will commence operations after the Ontario Energy Board approves the transfer of the Line to the Limited Partnership, grants the Limited Partnership a transmission licence and makes a transmission rate order in favour of the Limited Partnership. Thereafter, the Limited Partnership will make distributions and allocate income and losses to its partners from time-to-time in accordance with the partnership agreement.

PURPOSES OF PROPOSED TRANSACTIONS

31. The purposes of the proposed transactions are as follows:
 - a) To generate a long-term source of income for the FN1 to support the governance, public works and infrastructure needs of each community and to promote economic development such that the FN1 will become economically self-sufficient while maintaining a stewardship role over their lands.
 - b) To protect the FN1 from liability arising from activities related to the Transmission Line.
 - c) To provide employment and job training for Members of the FN1.
 - d) To support projects and activities for the general benefit of the FN1.

RULING GIVEN:

Provided that the preceding statements constitute a complete and accurate disclosure of all of the relevant facts, proposed transactions and purposes of the proposed transactions, we rule as follows:

Because the FN1 is, and as long as it continues to be, a public body performing a function of government in Canada within the meaning of paragraph 149(1)(c) of the Act, and therefore exempt from tax under Part I of the Act, no tax will be payable under Part I of the Act by the FN1 on income allocated to the FN1 by the Limited Partnership in respect of the operation of the Line, carried on by the Limited Partnership as a result of the proposed transactions described above.

The above advance income tax ruling, which is based on the Act in its present form and does not take into account any proposed amendments thereto, is given subject to the general limitations and qualifications set out in Information Circular 70-6R5, "Advance Income Tax Rulings", dated May 17, 2002, and is binding on the Canada Revenue Agency ("CRA") provided the Proposed Transactions are completed by December 31, 2014.

OPINION:

So long as Bare Trustco continues to hold the partnership interest in the Limited Partnership as nominee and agent for the First Nations as described in paragraphs 25 and

.../cont'd

26, the income allocated to Bare Trustco by the Limited Partnership on such partnership interest will be the income of the First Nations and not the income of Bare Trustco for purposes of computing income under Part I of the Act.

It is not the practice of the CRA to issue an income tax ruling on an issue related solely to the common law. Therefore, nothing in this letter should be construed as implying that the CRA has reviewed or agreed that the Draft Nominee Agreement creates an agency relationship for income tax purposes.

CAVEAT:

Nothing in this letter should be construed as implying that the CRA has reviewed or agreed:

- that the partnership agreement creates a legal partnership for income tax purposes;
- to the determination of the adjusted cost base, paid-up capital or fair market value of any shares or other property referred to herein; or
- to any tax consequences relating to the facts and the Proposed Transactions described herein other than those described in the rulings given above.

This letter is based solely on the facts and the proposed transactions described above. The documentation submitted with your request does not form part of the facts and proposed transactions and any references thereto are provided solely for the convenience of the reader. A copy of this letter will be forwarded to the Charities Directorate of the CRA.

Yours truly,



R. Fillion, CPA, CA
For Director
Business and Employment Division
Income Tax Rulings Directorate
Legislative Policy and Regulatory Affairs Branch



Ministry of Finance

Advisory Services and Program
Policy Branch

33 King Street West
Oshawa ON L1H 8H5
Tel.: 1 866 668-8297 Ext. 17025
Fax: 905 436-4471

Ministère du Finances

Direction des services consultatifs et des
politiques relatives aux programmes

33, rue King Ouest
Oshawa ON L1H 8H5
Tél. : 1 866 668-8297 poste 17025
Télééc. : 905 436-4471

Reference: CT13-0203

October 16, 2013

Ms. Kimberley Wharram
Osler, Hoskin & Harcourt LLP
Box 50, 1 First Canadian Place
Toronto, Ontario M5X 1B8

Dear: Ms. Wharram:

Re:

Request for Advance Ruling in respect of payments-in-lieu of federal corporate tax and Ontario corporate tax under the *Electricity Act, 1998* on behalf of Hydro One Inc., Hydro One Networks Inc., the Chippewas of Saugeen First Nation and the Chippewas of Nawash First Nation (collectively, the Taxpayers”).

This is in reply to your letter dated January 25, 2013, your revised letters dated June 4, 2013 and September 17, 2013, and various e-mail correspondence, wherein you requested an advance ruling in respect of payments-in-lieu of federal corporate tax and Ontario corporate tax under the *Electricity Act, 1998* on behalf of the Taxpayers.

The text immediately below and in the sections entitled “Defined Terms,” “Facts,” “Proposed Transactions” and “Purpose of the Proposed Transactions” is similar to the text in the corresponding sections of your revised letter dated June 4, 2013. Notwithstanding your text, in certain instances where there is an inconsistency, vagueness or other issue, the Ministry of Finance has made necessary changes or made assumptions that may be contrary to your text.

This Ruling incorporates opinions provided by the Canada Revenue Agency. For clarity purposes, the text in the section entitled “Interchangeable Terms” lists the terms used by the Ministry of Finance and the Canada Revenue Agency that have essentially the same meaning.

Where a reference does not specify a statute, the reference is to the applicable provision of the ITA, as that provision applies for purposes of the *Electricity Act*. Also, any reference to an election that is required to be filed under a provision of the ITA

should be read as a reference to the corresponding election that is to be filed under the Electricity Act.

With respect to the Agreement in the defined terms below, the Ministry of Finance has not reviewed the text of this document nor any attachments to it. Therefore, the Ministry of Finance cannot confirm whether the provisions of the Agreement and its attachments are consistent with the facts described in this letter.

To the best of the knowledge of the Taxpayers, none of the issues contained herein:

- a. is in an earlier return of any of the Taxpayers or related persons;
- b. is being considered by the Ministry of Finance in connection with a previously filed return of any of the Taxpayers or related persons;
- c. is under objection or appeal by any of the Taxpayers or related persons;
- d. is before the courts or if a judgment has been issued, the time limit for appeal to a higher court has not expired; and
- e. is the subject of a ruling previously issued by the Ministry of Finance.

Interchangeable Terms

In this letter, the following terms are interchangeable:

"Electricity Act" and "Act 1";

"OBCA" and "Act 4";

"Bruce-to-Milton LP" and "Partnership";

"First Nations" and "Group";

"Chippewas of Saugeen First Nation" and Sub-Group 1";

"Chippewas of Nawash First Nation" and Sub-Group 2";

"Hydro One" and "Parentco";

"HONI" and "Subco";

"GPco" and General Partner";

"HO LPco" and "Limited Partner";

"SON LPco" and "Holdco";

"BtoM LP Promissory Note" and "Promissory Note 1";

"GPco Promissory Note" and "Promissory Note 2";

"LP Promissory Note" and "Promissory Note 3";

"Newco Note Receivable" and "Promissory Note 4";
"BtoM Project Assets" and "Project Assets"
"Line" and "Infrastructure";
"GPco Equity Ratio" and "General Partner Equity Ratio";
"SON Equity Ratio" and "Holdco Equity Ratio";
"SON Equity Contribution Amount" and "Holdco Equity Contribution Amount";
"BtoM Project Asset Value" and "Project Asset Value";
"OEB Act" and "Act 2";
"Board" and "OEB";
"LPA" and "Amended Partnership Agreement".

Defined Terms

In this letter, the following terms have the meanings specified below:

"ACB" means adjusted cost base as that term is defined in section 54;

"Accumulated Profits" has the meaning indicated in paragraph 23 of Interpretation Bulletin IT-533 ("Interest Deductibility and Related Issues") and for greater certainty, no amounts are included in the Accumulated Profits of a corporation as the result of dividends received unless such dividends were paid out of the payer's Accumulated Profits;

"Act 1" means the Electricity Act, 1998 (Ontario);

"Act 2" means the Ontario Energy Board Act;

"Act 3" means the Indian Act;

"Act 4" means the Business Corporations Act (Ontario);

"Agreed Amount" in respect of an Eligible Property means the amount that the transferor and transferee of the property have agreed upon in an election under subsection 85(1) or 97(2), as the case may be, in respect of that property;

"Agreement" means the Anishnaabekiing Naagnigewin Agreement made between HONI and the First Nations dated June 18, 2012, as such agreement may be amended from time to time by letter agreement or otherwise;

"Amended Partnership Agreement" means the amended and restated limited partnership agreement in respect of the Partnership;

"APA" means the asset purchase agreement providing for the transfer of the BtoM Project Assets from HONI to the Bruce-to-Milton LP;

"Applicable Borrower" means Limited Partner or another corporation that is related to Limited Partner, other than Parentco;

"Approvals" means the licences, orders and other matters listed in Attachment "A" to the Agreement;

"Approvals Date" means the date that each of the conditions precedent set out in Section 3.2 of the Agreement has been satisfied (or otherwise waived in writing by the Parties) as confirmed in writing by the First Nations and HONI;

"Board" means the Ontario Energy Board;

"Board Approvals" means the approvals and orders requested from the Board described in paragraphs 12(b), 12(c) and 12(e);

"Bruce-to-Milton LP" means a limited partnership within the meaning of the *Limited Partnerships Act* (Ontario), to be comprised, as of the Closing, of two limited partners, SON LPco and HO LPco and one general partner, GPco;

"BtoM LP Promissory Note" has the meaning given to it in paragraph 14(e) of this letter;

"BtoM Project Assets" means the assets comprising the Line, including the LP Line Property Rights, but excluding sub-station facilities and all the assets relating to the connection of the Line to HONI's remaining structural assets;

"BtoM Project Asset Value" means the aggregate FMV of the BtoM Project Assets as of Closing which was estimated to be approximately \$532 million as of September 2013, which includes HONI's final construction and development costs that are to be incurred prior to Closing (subject to such inclusions or exclusions as may be imposed by the Board in connection with the rate application filed by the Bruce-to-Milton LP as contemplated in the Agreement);

"Canadian Partnership" has the meaning assigned by subsection 102(1);

"Capital of the Newco Shares" at any time means an amount not exceeding the Agreed Amounts described in paragraph 14(j);

"Closing" means the time when the transactions described in paragraphs 14(a) and 14(c) to (o) are undertaken;

"Cost Amount" has the meaning assigned by subsection 248(1);

"CRA" means the Canada Revenue Agency;

"Daylight Loan" means the loan granted to Subco in an amount equal to the principal amount of Promissory Note 3, which is not convertible into shares of Subco and bears interest at fixed rate that does not vary with the profits of Subco;

"Deemed Dividend" has the meaning given to it in Paragraph G of the Rulings Given in this letter;

"Dividends" has the meaning given to it in Paragraph H of the Rulings Given in this letter;

"Dividend Rental Agreement" has the meaning assigned by subsection 248(1);

"Effective Hydro One Equity Amount" means the amount calculated by multiplying the BtoM Project Asset Value by 40% and multiplying such amount by the Hydro One Equity Ratio;

"Elected Amount" in respect of a Qualifying Property means the amount that the transferor and transferee of the property have agreed upon in an election under subsection 97(2);

"Electricity Act" means the *Electricity Act, 1998* (Ontario);

"Eligible Property" has the meaning assigned by subsection 85(1.1);

"Excepted Dividend" has the meaning assigned by section 187.1;

"Excluded Dividend" has the meaning assigned by section 191;

"Excluded LP Units" means such number of LP Units as has an aggregate fair market value on Closing equal to the Initial HO LPco Equity Investment;

"Facility" means the Bruce Power facility located in Kincardine;

"Financial Intermediary Corporation" has the meaning assigned in subsection 191(1);

"First Nations" means the Chippewas of Saugeen First Nation and the Chippewas of Nawash First Nation;

"FMV" means fair market value, which refers to the amount, expressed in money terms, that is the highest price available in an open and unrestricted market between informed and prudent parties dealing at arm's length;

"General Partner" means B2M GP Inc., which is governed by Act 4, is wholly-owned directly or indirectly by Parentco and is the general partner of the Partnership;

"General Partner Equity Ratio" means the percentage equal to 99.9% minus the Holdco Equity Ratio;

"GPco" means B2M GP Inc., an OBCA corporation created and owned directly or indirectly by Hydro One to function as the general partner of the Bruce-to-Milton LP;

"GPco Equity Ratio" means the percentage equal to 99.9% minus the SON Equity Ratio;

"GPco Promissory Note" has the meaning given to it in Paragraph 14(d) of this letter;

"Group" means Sub-Group 1 and Sub-Group 2 (jointly);

"Holdco" means 1893080 Ontario Inc. (to be renamed the Saugeen Ojibway Nations Finance Corporation) resident, at all times, in Canada and governed by Act 4. It will be owned directly by the Group and will act as bare trustee for the Group in respect of its participation in the ownership and the distribution of the amounts derived from the operation of the Infrastructure;

"Holdco Equity Contribution Amount" means the amount to be contributed by Holdco as a capital contribution to the Partnership on the Closing, which shall be: (i) no less than 5% of the amount which is equal to 40% of the Project Asset Value and (ii) no greater than \$72,000,000;

"Holdco Equity Ratio" means the percentage determined by dividing the Holdco Equity Contribution Amount by the amount which is equal to 40% of the Project Asset Value (each as finally determined prior to the Closing);

"HO LPco" means Hydro One B2M LP Inc., an OBCA corporation created and owned directly or indirectly by Hydro One to hold a limited partnership interest in the Bruce-to-Milton LP;

"HO LPco Equity Ratio" means 0.1%;

"HONI" means Hydro One Networks Inc., a corporation with share capital incorporated under, and governed by, the provisions of the OBCA, all of the issued and outstanding shares of which are owned by Hydro One;

"HONI Dividend" has the meaning given to it in paragraph 14(1) of this letter;

"HONI Line Real Property" means all interests in real property or licenses over real property interests in respect of the Line owned or controlled by HONI;

"Hydro One" means Hydro One Inc., a corporation with share capital incorporated under, and governed by, the provisions of the OBCA;

"Hydro One Debt" has the meaning given to it in paragraph 14(1) of this letter;

"Hydro One Equity Ratio" means the percentage equal to 100% minus the SON Equity Ratio;

"Infrastructure" means the high-voltage electrical transmission tower line with circuit number B561M and that portion of the high-voltage electrical transmission tower line with circuit number B560V spanning from Subco's switchyard at the Facility to the Substation;

"Initial HONI Equity Investment" means an amount equal to 40% of the Tax Cost of the BtoM Project Assets to HONI at the time of the transfer described in paragraph 14(a) less an amount equal to the SON Equity Contribution Amount;

"Initial LPco Equity Investment" means an amount equal to the BtoM Project Asset Value multiplied by 40% times the LPco Equity Ratio;

"Interim Loan" has the meaning given to it in paragraph 14(p) of this letter and is a non-convertible loan in an amount equal to the Holdco Equity Contribution Amount that will bear interest at a fixed rate that will not vary with the profits of Applicable Borrower;

"ITA" means the *Income Tax Act*, R.S.C. 1985 (5th Supp.) c.1, as amended to the date hereof, and unless otherwise indicated, every reference herein to a part, section, subsection, paragraph, subparagraph or clause is a reference to the relevant provision of the ITA;

"Limited Partner" means Hydro One B2M LP Inc., which is governed by Act 4, which is wholly-owned directly or indirectly by Parentco and the initial limited partner of the Partnership;

"Limited Partner Units" means such number of Units having an aggregate FMV on the Closing equal to 40% of the Project Asset Value times 0.1 %;

"Line" means the high-voltage electrical transmission tower line with circuit number B561M and that portion of the high-voltage electrical transmission tower line with circuit number B560V spanning from HONI's switchyard at the Bruce Power Nuclear Generating Facility located in Kincardine, Ontario to HONI's switchyard in Milton, Ontario;

"LP Line Property Rights" means the portion of the HONI Line Real Property to be transferred or licensed to the Bruce-to-Milton LP in accordance with the Agreement which are required to operate and maintain the BtoM Project Assets;

"LP Promissory Note" "LP Promissory Note" means a promissory note issued by the Bruce-to-Milton LP to HONI having a principal amount equal to the lesser of (i) the Tax Cost of the BtoM Project Assets; and (ii) an amount equal to the excess of the FMV of the BtoM Project Assets transferred to the Bruce-to-Milton LP as described in Paragraph 14(a) over the excess of 40% of the Tax Cost of the BtoM Project Assets to HONI at the time of such transfer over the SON Equity Contribution Amount, and bearing interest at a rate based on the interest rate of debt issued by Hydro One to arm's length parties at commercial terms, as may be adjusted from time to time;

"LP Units" means the partnership units representing the partnership interests in the Bruce-to-Milton LP;

"LPA" means the amended and restated limited partnership agreement in respect of the Bruce-to-Milton LP as may be amended from time to time;

"LPco Equity Ratio" means 0.1 %;

"Majesty" means Her Majesty in right of Ontario;

"Newco" means Hydro One B2M Holdings Inc., which is governed by Act 4. It is owned directly or indirectly by Parentco and will, following the completion of the Proposed Transactions, hold shares in Limited Partner and General Partner;

"Newco Common Shares" has the meaning assigned by Paragraph 14(m);

"Newco Preferred Shares" has the meaning assigned by Paragraph 14(j);

"Newco Note Receivable" has the meaning given to it in Paragraph 14(m) of this letter;

"OBCA" means the Business Corporations Act (Ontario);

"OEB" means the Ontario Energy Board;

"OEB Act" means the Ontario Energy Board Act;

"Operating Agreement" means the agreement to be entered into between GPco on behalf of the Bruce-to-Milton LP and HONI providing, among other things, for the operation of the Line;

"Operating Services" refers to the services required to operate the Infrastructure including, without limitation, all operating, maintenance, repair and refurbishment and including, without limiting the generality of the foregoing, all services in relation to the monitoring and control of the transmission of electricity across the Infrastructure;

"Outstanding Promissory Notes" means the BtoM LP Promissory Note, the GPco Promissory Note and the Newco Note Receivable;

"Paragraph" means a numbered paragraph in this letter;

"Parentco" means Hydro One Inc., which is a corporation with share capital governed by Act 4 which is wholly-owned by the Province of Ontario, is exempt from tax by virtue of paragraph 149(1)(d) and carries on electricity transmission, distribution, energy services and telecommunications services activities through its subsidiaries;

"Partnership" means B2M Limited Partnership, a limited partnership arrangement within the meaning of the *Limited Partnerships Act* (Ontario), to be comprised, following the completion of the Proposed Transactions, of two limited partners, Limited Partner and Holdco (as bare trustee for the Group) and a general partner referred as General Partner, which will be, at all times, resident in Canada;

"Payments" means the payments required to be paid under subsection 89(1) of Act 1, equal to the amount of tax payable under the Act by Parentco, Subco, Newco, General Partner or Limited Partner had such entities not been exempt under subsection 149(1) from the payment of tax;

"Project Assets" means the assets comprising the Infrastructure, including the Property Rights, but excluding sub-station facilities and all the assets relating to the connection of the Infrastructure to Subco's remaining structural assets (individually referred to as "Project Asset");

"Project Asset Value" means the aggregate FMV of the Project Assets as of Closing which was estimated to be approximately \$532 million as of September 2013, which includes Subco's final construction and development costs that are to be incurred prior to Closing (subject to such inclusions or exclusions as may be imposed by the Board in connection with the rate application filed by the Partnership as contemplated in the Agreement);

"Promissory Note 1" means a promissory note issued by the Partnership to General Partner as described in Paragraph 14(e), having a principal amount equal to the amount by which Project Asset Value exceeds the amount calculated by multiplying 40% of the Project Asset Value by the excess of 100% over the Holdco Equity Ratio, bearing interest at the same rate as applicable to Promissory Note 3, as may be adjusted from time to time;

"Promissory Note 2" means a promissory note issued by General Partner to Subco, which bears interest at the same rate as applicable to Promissory Note 3, less an interest rate spread, if any, to be determined by Subco and General Partner, as may be adjusted over time;

"Promissory Note 3" means a promissory note issued by the Partnership to Subco having a principal amount equal to the lesser of (i) the Tax Cost of the Project Assets; and (ii) an amount equal to the excess of the FMV of the Project Assets transferred to the Partnership as described in Paragraph 14(a) over the excess of 40% of the Tax Cost of the Project Assets to Subco at the time of such transfer over the Holdco Equity Contribution Amount, and bearing interest at a rate based on the interest rate of debt issued by Parentco to arm's length parties at commercial terms, as may be adjusted from time to time;

"Promissory Note 4" means a promissory note issued by Newco to Parentco having a principal amount equal to the amount by which the initial principal amount of Promissory Note 2 as described in Paragraph 14(d) exceeds the Holdco Equity Contribution Amount and with terms identical to Promissory Note 2 except that the interest rate accruing on Promissory Note 4 may be lower than the interest rate under the Promissory Note 2 by an interest rate spread to be determined by Parentco and Newco;

"Property Rights" means the portion of the Subco Real Property to be transferred or licensed to the Partnership in accordance with the Agreement which is required to operate and maintain the Project Assets;

"PILs" has the meaning given to it in Paragraph 3 of this letter;

"Province" means Her Majesty in right of Ontario;

"Proposed Transactions" means the transactions described in the Proposed Transactions section of this letter;

"PUC" means paid-up capital as that term is defined in subsection 89(1);

"Qualifying Property" means a capital property, Canadian resource property, foreign resource property, eligible capital property or inventory;

"Redemption Value" means an amount equal to the aggregate FMV of the General Partner shares, Limited Partner shares, Limited Partner Units and the outstanding balance of Promissory Note 2 at the time described in Paragraph 14(j);

"Regulation" means Ontario Regulation 140/09 made under Act 1;

"Restricted Financial Institution" has the meaning assigned by subsection 248(1);

"series of transactions or events" has the extended meaning assigned by subsection 248(10) of the ITA;

"SON Equity Contribution Amount" means the amount to be contributed by SON LPco as a capital contribution to the Bruce-to-Milton LP on Closing, which shall be: (i) no less than 5% of the amount which is equal to 40% of the BtoM Project Asset Value and (ii) no greater than \$72,000,000;

"SON Equity Ratio" means the percentage determined by dividing the SON Equity Contribution Amount by the amount which is equal to 40% of the BtoM Project Asset Value (each as finally determined prior to Closing);

"SON LPco" means the 1893080 Ontario Inc. (which will be renamed Saugeen Ojibway Nation Finance Corporation), an OBCA corporation to be owned directly by the First Nations to hold a limited partnership interest in the Bruce-to-Milton LP, as bare trustee for the First Nations;

"Specified Financial Institution" has the meaning assigned by subsection 248(1);

"Subco" means Hydro One Networks Inc., a corporation governed by Act 4 which carries on electricity transmission and distribution activities in Ontario that were previously carried on by Ontario Hydro and which is exempt from tax under Part I by virtue of paragraph 149(1)(d.2);

"Subco Real Property" means all interests in real property or licenses over real property interests in respect of the Infrastructure owned or controlled by Subco;

"Sub-Group 1" means the Chippewas of Saugeen First Nation;

"Sub-Group 1 Board" means the Chippewas of Saugeen First Nation Band Council, a democratically elected executive and governing body, which represents Sub-Group 1 in all matters under its jurisdiction;

"Sub-Group 2" means the Chippewas of Nawash First Nation;

"Sub-Group 2 Board" means Chippewas of Nawash First Nation Band Council, a democratically elected executive and governing body, which represents Sub-Group 2 in all matters under its jurisdiction;

"Substation" means Subco's switchyard located in Milton, Ontario;

"Tax Cost" means the aggregate of all amounts in respect of each BtoM Project Asset that is equal to the lesser of the capital cost of that BtoM Project Asset to HONI and the undepreciated capital cost of property of HONI of the capital cost allowance class to which that BtoM Project Asset belongs;

"Taxable Canadian Corporation" has the meaning assigned by subsection 89(1);

"Taxable Dividend" has the meaning assigned by subsection 89(1);

"UCC" means undepreciated capital cost and has the meaning assigned to subsection 13(21);

"Units" mean the partnership units representing the partnership interests in the Partnership;

"Unrelated Person", with respect to a disposition of property or a significant increase in a person's or partnership's interest in a corporation, means a person or partnership that is an "unrelated person" with reference to HONI or Hydro One, as applicable, within the meaning of paragraph 55(3.01)(a) of the ITA immediately before that disposition or significant increase (as the case may be);

"Utility" means a municipal electric utility as defined in section 88 of Act 1.

Facts

Hydro One and HONI

1. Hydro One is a corporation that has been created by the Province pursuant to and for the purposes of the Electricity Act. Hydro One is principally a holding corporation, owing shares in a number of wholly-owned subsidiaries which carry on electricity transmission, distribution, energy services and telecommunications services businesses. HONI, Hydro One's direct wholly-owned subsidiary, carries on the electricity transmission and distribution business in Ontario that was previously carried on by the former Ontario Hydro. Hydro One was incorporated under and is governed by the provisions of the OBCA.
2. All of the issued and outstanding shares of Hydro One are held by the Province. As a result, Hydro One is currently exempt from tax under Part I of the ITA by virtue of paragraph 149(1)(d). HONI was incorporated under and is governed by the provisions of the OBCA in order to carry on the electricity transmission and distribution business in Ontario.

In addition, because all of the issued and outstanding shares of HONI are owned by Hydro One, HONI is currently exempt from tax under Part I of the ITA by virtue of paragraph 149(1)(d.2)

3. Hydro One and HONI are subject to subsections 89(1) and 90(1) of the Electricity Act and as such make payments in lieu of federal corporate tax and provincial corporate tax ("PILs") respectively.

The First Nations

4. The Chippewas of Saugeen First Nation are a band within the meaning of the *Indian Act* (Canada) represented by the Chippewas of Saugeen First Nation Band Council. The Chippewas of Nawash First Nation are a band within the meaning of the *Indian Act* (Canada) represented by the Chippewas of Nawash First Nation Band Council. Collectively, these parties are referred to as the First Nations.
5. Each First Nation is governed by a democratically elected Chief and band councillors. The Chief and band councillors for each First Nation represent the First Nations in all matters. The First Nations provides and administers an extensive list of public works, social services and infrastructure programs.
6. Each of the First Nations has passed by-laws pursuant to section 81 of the Indian Act. Each First Nation has an Order-in-council under Section 69 of the Indian Act, giving it permission to control, manage or expend its revenues.
7. As a public body performing a function of government in Canada, each First Nation is exempt from tax levied under Part I of the ITA by virtue of paragraph 149(1)(c) of the ITA.

Proposed Transactions

8. Hydro One has incorporated a new corporation, SON LPco. The authorized capital of SON LPco consists of an unlimited number of common shares. In connection with the incorporation of SON LPco, Hydro One acquired 2 common shares of SON LPco for \$2. In 2013, Hydro One will sell all of its shares in SON LPco to the First Nations, for a price equal to the fair market value of such shares at the time of transfer (such fair market value being equal to the costs of incorporation plus two dollars), subject to adjustment in the event of a reassessment by the tax authorities or otherwise upon the agreement of Hydro One and the First Nations.

SON LPco will be used by the First Nations as a single purpose holding company through which the First Nations will participate as a limited partner in the Bruce-to-Milton LP. The business of SON LPco will be restricted to the holding of the First Nation's limited partnership interest in the Bruce-to-Milton LP. SON LPco will act as a bare trustee for the First Nations.

9. HONI has incorporated and organized a new subsidiary as HO LPco, through which HONI will participate as a limited partner in the Bruce-to-Milton LP. The authorized capital of HO LPco consists of an unlimited number of common shares. In connection with the incorporation of HO LPco, HONI acquired 1 common shares of HONI for \$1.

As a wholly-owned subsidiary of HONI, and later, indirectly as a wholly-owned subsidiary of Hydro One, HO LPco is subject to the PILs tax regime.

10. HONI has incorporated and organized a new subsidiary, GPco, to act as the general partner in the Bruce-to-Milton LP and manage and operate the Line. The authorized capital of GPco consists of an unlimited number of common shares. In connection with the incorporation of GPco, HONI acquired 999 common shares of GPco for \$999. As a wholly-owned subsidiary of HONI, and later, indirectly as a wholly-owned subsidiary of Hydro One, GPco is subject to the PILs tax regime.
11. HO LPco and GPco have created and organized the Bruce-to-Milton LP pursuant to the Limited Partnerships Act, Ontario wherein HO LPco is the initial limited partner and GPco is the general partner. The initial capital shall be \$1,000 and the partnership interests of GPco and HO LPco shall be 99.9% and 0.1% respectively, represented by 999 LP Units and 1 LP Unit, respectively.
12. Following the execution of the Agreement:
 - a. The First Nations shall use commercially reasonable efforts to obtain a commitment for financing in an amount sufficient to enable the First Nations to meet the payment and investment obligations set out in Section 3.4 of the Agreement on terms and conditions satisfactory to the First Nations and HONI, including with respect to security obligations and lender step-in rights;
 - b. GPco, on behalf of the Bruce-to-Milton LP, will apply for a transmission licence to operate the BtoM Project Assets following the transfer of the BtoM Project Assets from HONI to the Bruce-to-Milton LP to occur on the Closing;
 - c. HONI has applied (with the co-operation and support of the Bruce-to-Milton LP and the First Nations as may be necessary) under s.86 of the OEB Act for approval to transfer the BtoM Project Assets to the Bruce-to-Milton LP effective on the Closing;
 - d. GPco, on behalf of the Bruce-to-Milton LP, will enter into an operating agreement with HONI on terms and conditions satisfactory to First Nations and HONI (the "Operating Agreement") pursuant to which HONI will perform Operating Services in consideration for the operation fees determined by sections 3.3 and 3.4 of the Operating Agreement;
 - e. GPco on behalf of the Bruce-to-Milton LP, (with the co-operation and support of the Parties hereto as may be necessary) will apply for a first transmission rate order from the OEB anticipating the transfer of the BtoM Project Assets from HONI to the Bruce-to-Milton LP on Closing; and

the parties shall otherwise apply for and pursue the Approvals as indicated in the Agreement with the full co-operation and support of each other Party.

13. The completion of the transactions contemplated by this letter are, unless otherwise waived in writing by the parties, subject to a number of conditions precedent, including the receipt of rulings from the Ministry of Finance in respect of the taxation of the Proposed Transactions under the Tax Statutes.

14. After the Approvals Date, the following transactions shall occur:

- a. HONI will transfer to the Bruce-to-Milton LP the BtoM Project Assets in exchange for (i) the issuance of LP Units of the Bruce-to-Milton LP, at a price of one dollar (\$1.00) per unit, subject to adjustment, and (ii) the LP Promissory Note. The LP Units will have an aggregate FMV equal to the excess of the aggregate FMV of the BtoM Project Assets over the principal amount of the LP Promissory Note. In any event, the principal amount of the LP Promissory Note will not exceed the aggregate Tax Cost of the BtoM Project Assets to HONI. In conjunction with the APA, HONI and the partners of the Bruce-to-Milton LP shall duly execute and file an election under subsection 97(2) of the ITA (as that provision applies for purposes of the Electricity Act) so that such transfer will occur on a tax deferred basis to HONI. In particular, the portion of the LP Promissory Note allocated to any particular asset or class of assets, and the elected amount for each particular asset or class of assets, will not exceed the Tax Cost of such asset or class of assets to HONI.

The APA will contain a price adjustment clause providing for an adjustment to the purchase price, the consideration and/or the elected amount under the tax election in respect of the transfer in the event of a reassessment by the tax authorities or otherwise upon the agreement of HONI and the Bruce-to-Milton LP. If HONI transfers (rather than licenses) the LP Line Property Rights, HONI will transfer the beneficial interest and will hold legal title as nominee for and on behalf of the Bruce-to-Milton LP;

- b. Hydro One has incorporated Newco and subscribed for 100 common shares for \$100. Newco will reside in Canada and will be exempt from the obligation to pay tax by virtue of paragraph 149(1)(d.2);
- c. HONI will borrow from a bank, on a daylight basis, or from Hydro One, cash under the Daylight Loan;
- d. HONI will contribute to GPco (i) the cash it received under the Daylight Loan and (ii) the LP Units received by HONI pursuant to the APA, (other than the Excluded LP Units), in exchange for (iii) additional common shares of GPco having an FMV equal to the excess of the Effective Hydro One Equity Amount over the FMV of the Excluded LP Units, and (iv) a promissory note from GPco in the principal amount equal to the BtM Project Asset Value less the Effective Hydro One Equity Amount, and bearing interest at same rate as the rate as applicable to the LP Promissory Note, less an interest rate spread, if any, to be determined by HONI and GPco, as it may be adjusted from time to time (the "GPco Promissory Note"), provided that, in any event, the principal amount of the GPco Promissory Note will not exceed the amount of the cash amount contributed by HONI to GPco.

HONI and GPco shall duly execute and file an election under subsection 85(1) of the ITA (as that provision applies for purposes of the Electricity Act) so that such transfer of the LP Units will occur on a tax deferred basis to HONI. In particular, the elected amount for the LP Units will not exceed the adjusted cost base of those LP Units to HONI. The terms of HONI's contribution to GPco will contain a price adjustment clause providing for an adjustment to the subscription price, the consideration and/or the elected amount under the tax election in respect of the transfer to GPco in the event of a reassessment by the tax authorities or otherwise upon the agreement of HONI and GPco;

- e. GPco will transfer a cash amount to Bruce-to-Milton LP in the amount that was borrowed by HONI under the Daylight Loan and in return shall receive additional LP Units as well as a promissory note in the principal amount equal to the BtoM Project Asset Value minus the Effective Hydro One Equity Amount and bearing interest at a rate equal the same rate as applicable to the LP Promissory Note as may be adjusted from time to time (the "BtoM LP Promissory Note"). The principal amount of the BtoM LP Promissory Note will equal the principal amount of the GPco Promissory Note;
- f. HONI will cause HO LPco and GPco to enter into the LPA, and First Nations will cause SON LPco (as bare trustee for First Nations) to enter into the LPA, and SON LPco (as bare trustee for First Nations) will make a capital contribution to the Bruce-to-Milton LP in the amount equal to the SON Equity Contribution Amount and in return shall receive (as bare trustee for First Nations) such number of LP Units such that (i) the total number of LP Units held by SON LPco (as bare trustee for First Nations) will be equal to the total issued and outstanding LP Units multiplied by the SON Equity Ratio; (ii) the total number of LP Units held by GPco (including, for greater certainty, those issued under Section 3.4(c) of the Agreement) will be equal to the total issued and outstanding LP Units multiplied by the GPco Equity Ratio; and (iii) the total number of LP Units held by HO LPco (following the transfer described in Paragraph 14(k) below) will be equal to 0.1% of the total issued and outstanding LP Units.
- g. The Bruce-to-Milton LP will pay to HONI a cash amount equal to the principal amount of the LP Promissory Note in full satisfaction of the LP Promissory Note held by HONI in connection with the APA;
- h. The Bruce-to-Milton LP will pay such portion of the BtoM LP Promissory Note such that the principal amount of the BtoM LP Promissory Note will, after such payment, be equal to 60% of the BtoM Project Asset Value;
- i. GPco will utilize the funds received from the Bruce-to-Milton LP to pay a portion of the GPco Promissory Note;
- j. HONI will transfer all of its shares owned in HO LPco and GPco, the GPco Promissory Note and the LP Units that HONI owns to Newco and will

receive from Newco preferred shares ("Newco Preferred Shares") having a fair market value equal to the aggregate fair market value of the HO LPco shares, GPco shares, LP Units and GPco Promissory Note acquired by Newco.

HONI and Newco will duly execute and file an election under subsection 85(1) of the ITA (as that provision applies for purposes of the Electricity Act) so that such transfer of the HO LPco and GPco shares, the GPco Promissory Note and the LP Units will occur on a tax deferred basis to HONI. In particular, the elected amounts will not exceed the respective adjusted cost bases of the HO LPco shares, GPco shares, the GPco Promissory Note and the LP Units transferred to Newco.

The terms of the Agreement of Purchase and Sale will contain an adjustment clause providing for an adjustment to the elected amount under the tax election in respect of the transfer to Newco in the event of a reassessment by the tax authorities or otherwise upon the agreement of HONI and Newco. In addition, the terms of the Newco Preferred Shares will provide for an adjustment to the redemption price of the Newco Preferred Shares in the event of a reassessment by the tax authorities or otherwise upon the agreement of HONI and Newco;

- k. Newco will transfer to HO LPco all of the LP Units it received from HONI as described in Paragraph 14(j) and will receive common shares of HO LPco having a fair market value equal to the fair market value of such LP Units;

Newco and HO LPco will duly execute and file an election under subsection 85(1) of the ITA (which provision applies for purposes of the Electricity Act) so that such transfer of the LP Units will occur on a tax deferred basis to Newco. In particular, the elected amount will not exceed the adjusted cost base of the LP Units to Newco. The terms of the Agreement of Purchase and Sale will contain an adjustment clause providing for an adjustment to the elected amount under the tax election in respect of the transfer to HO LPco in the event of a reassessment by the tax authorities or otherwise upon the agreement of Newco and HO LPco;

- l. HONI will pay cash to Hydro One in an amount equal to the Redemption Value of the Newco Preferred Shares in the form of a taxable dividend (the "HONI Dividend") and/or as a repayment of debt owing by HONI to Hydro One. Alternatively, Hydro One may borrow all or a portion of the amount it requires to fund the payment described in Paragraph 14(m) from one or more third parties (the "Hydro One Debt"). The Hydro One Debt will not be convertible and will bear interest at a fixed rate that does not vary based on Hydro One's profits;
- m. Hydro One will transfer the entire amount of cash received from HONI and/or as proceeds from the Hydro One Debt to Newco and will receive,
 - i. A note receivable ("Newco Note Receivable") having a fair market value, principal amount equal to, and terms identical to, the GPco

Promissory Note held by Newco, except that the interest rate may be lower than the interest rate under the GPco Promissory Note by an interest rate spread to be determined by Hydro One and Newco; and

- ii. Common shares in the capital of Newco ("Newco Common Shares") having a fair market value and tax basis equal to the aggregate fair market value of the HO LPco shares and the GPco shares held by Newco;
- n. Newco will redeem the Newco Preferred Shares held by HONI utilizing the cash obtained from the Hydro One investment as described in Paragraph 14(m);
- o. HONI will utilize the funds received on the redemption of the Newco Preferred Shares and, if necessary, the amount received as partial repayment of the GPco Promissory Note to repay the Daylight Loan;
- p. If the First Nations have, under the financing described in Paragraph 12(a), received an advance of funds from third party lenders prior to the grant of the Board Approvals Approvals, SON LPco (as bare trustee for the First Nations) will make the Interim Loan to HO LPco (or another corporation that is related to HO LPco, other than Hydro One) in an amount equal to the SON Equity Contribution Amount. On Closing, the applicable borrower will repay the Interim Loan and SON LPco (as bare trustee for the First Nations) will use the proceeds from that repayment to make the capital contribution to the Bruce-to-Milton LP described in Paragraph 14(f).

Purpose of the Proposed Transactions

The purpose of the Proposed Transactions is to allow the First Nations to invest in, and to earn income through the acquisition of an equity participation in the Bruce to Milton electricity transmission line, an important infrastructure project which traverses the traditional lands of the First Nations; establish the relationship between HONI and the First Nations with respect to the operation and ownership of the Bruce to Milton electricity transmission line; establish the appropriate regulatory debt to equity ratio; and to retain the taxable income allocated to HO LPco and GPco within the PILs tax regime.

Parentco will participate, indirectly through Subco (and subsequently Newco), in the Partnership through a separate wholly-owned subsidiary, General Partner, in order to facilitate future compliance with regulatory requirements for the regulated entities. The Infrastructure is the first transmission asset that Parentco, Subco or Newco will own through a partnership vehicle with the Group.

All of the transmission assets owned by Subco are solely owned by it. It will assist Subco in its regulatory compliance to account for and report on its own transmission operations on the basis that all of its assets are solely owned.

Additional Assumptions

For the purposes of this letter, it is assumed that, at all relevant times:

1. Each of Hydro One, HONI, HO LPco , GPco and Newco is subject to PILs pursuant to sections 89 and 90 of the Electricity Act;
2. For the purposes of the ITA and *Taxation Act, 2007* (Ontario), as those statutes apply for the purpose of calculating PILs under the Electricity Act:
 - a. All transactions described in the letter are part of a single series of transactions;
 - b. The Bruce-to-Milton LP is a Canadian partnership;
 - c. Each of Hydro One, HONI, HO LPco , GPco, Newco, SON LPco and the First Nations is resident in Canada;
 - d. Each of Hydro One, HONI, HO LPco , GPco, Newco and SON LPco would be a taxable Canadian corporation but for section 149 of the ITA;
 - e. Hydro One, HONI, HO LPco , GPco and Newco are related persons;
 - f. The properties transferred in the transaction referred to in Paragraph 14(a) are capital property or eligible capital property of HONI;
 - g. The properties transferred in each of the transactions referred to in Paragraphs 14(d), 14(j) and 14(k) are eligible property under subsection 85(1.1) of the ITA;
 - h. The HONI Dividend, and any other dividends arising as a result of the contemplated transactions, are taxable dividends;
 - i. Each of the BtoM LP Promissory Note and the LP Promissory Note create a legal obligation for the Bruce-to-Milton LP to pay interest at a commercial rate in exchange for the use of money; and
 - j. The proceeds from the BtoM LP Promissory Note will be used to repay the LP Promissory Note.
3. Neither Newco nor Subco is or will be, at any time during the Series of Transactions or Events that includes the Proposed Transaction, a Specified Financial Institution, a Restricted Financial Institution or a corporation described in any of paragraphs (a) to (f) of the definition of Financial Intermediary Corporation;
4. The Newco shares are not the subject of:
 - a. any undertaking that is a guarantee agreement;
 - b. a Dividend Rental Arrangement;

- c. any secured undertaking of the type described in paragraph 112(2.4)(a).
5. The Newco shares were not issued for consideration that is or includes:
- a. an obligation of the type described in subparagraph 112(2.4)(b)(i), other than an obligation of a corporation that is related (otherwise than by reason of a right referred to in paragraph 251(5)(b)) to Newco; or
 - b. any right of the type described in subparagraph 112(2.4)(b)(ii).
6. None of the Outstanding Promissory Notes are related to the acquisition of the Limited Partner's interest in the Partnership and each Promissory Note will be issued for commercial reasons and on commercial terms;
7. In a report issued on December 20, 2006 (Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors), the Board concluded that for ratemaking purposes, a single capital structure for all distributors is appropriate. The Board has determined that a split of 60% debt, 40% equity be used for all distributors. When approving or refusing to approve capital structures set out in applications by transmitters, the Board determines the capital structure on a case-by-case basis (OEB Report EB-2009-0084 on the Cost of Capital for Ontario's Regulated Utilities, paragraph 4.3, page 50) but generally uses the deemed capital structure for distributors unless there is a compelling reason justifying a different capital structure. That is what justifies the fact that the Partnership is capitalized with 60% of debt and 40% of equity.

Rulings Given

The following rulings are given subject to the limitations and qualifications set out in Information Circular 70-6R5 issued by the CRA on May 17, 2002. The rulings given below are based on the Electricity Act and other relevant statutes in their present form and do not take into account any proposed amendments to the Electricity Act or other relevant statutes which, if enacted, could have an effect on the rulings provided herein. Any references in the rulings below to provisions of the ITA should be read as a reference to that provision, as it applies for purposes of the Electricity Act.

Rulings are considered to be binding on the Ministry of Finance only in respect of the taxpayer to whom the ruling was given. Each ruling given below is based on the particular facts set out in this letter and on the law in force at the time the ruling is published and, therefore, will not be amended for subsequent changes in the law.

It is understood that ruling request "D" and ruling request "K" have been withdrawn and as such rulings will not be given for these two requests. Also, ruling request "L" has been withdrawn and changed to a request for an interpretation which will be addressed in a separate letter.

Provided that the statements found in the Facts, Proposed Transactions, Purpose of the Proposed Transactions and Additional Assumptions are accurate and constitute a complete disclosure of all the relevant facts and proposed transactions and assuming that, pursuant to subsection 89(1) of Act 1, Parentco, Subco, Newco, General Partner and Limited Partner were not a person to which subsection 149(1) applies, the following rulings are given:

- A. The First Nations will not be regarded as municipal corporations for purposes of Part VI of the Electricity Act.
- B. None of the First Nations, SON LPco or the Bruce-to-Milton LP will be regarded as a "municipal electricity utility" as defined in Section 88 of the Electricity Act.
- C. Provided that the Bruce-to-Milton LP is a Canadian Partnership immediately after the transfer described in Paragraph 14a of this letter and each property transferred is a Qualifying Property and provided further that Honi and all the other members of the Bruce-to-Milton LP jointly elect under subsection 97(2), in prescribed form and within the time limit specified in subsection 96(4), the provisions of subsection 97(2) will apply to the transfer by Honi of the BtoM Project Assets to the Bruce-to-Milton LP as described in Paragraph 14(a) of this letter.

Subject to subsection 69(11) and paragraph 85(1)(b), provided that each property transferred is Eligible Property in respect of which shares have been issued in full or partial consideration therefor and that the appropriate elections are filed in the prescribed form and manner within the time limits specified in subsection 85(6), the provisions found in subsection 85(1) will apply to the transfers described in Paragraphs 14(d), 14(j) and 14(k) of this letter such that the Agreed Amount in respect of each such transfer will be deemed to be the transferor's proceeds of disposition of the particular property and the transferee's cost thereof. For greater certainty, paragraph 85(1)(e.2) will not apply to the transfers referred to herein.

D. Request withdrawn.

E. Provided that:

- (a) the Bruce-to-Milton LP has a legal obligation to pay interest on LP Promissory Note;
- (b) the LP Promissory Note represents an amount payable for property acquired for the purpose of gaining or producing income from the property or from a business (other than property the income from which would be exempt or property that is an interest in a life insurance policy);
- (c) the Bruce-to-Milton LP has a legal obligation to pay interest on the BtoM LP Promissory Note;

- (d) the amount borrowed under the BtoM LP Promissory Note is used to repay the principal amount of the LP Promissory Note as described in Paragraph 14(g) of this letter;

the Bruce-to-Milton LP will be entitled to deduct, pursuant to subsection 20(3) and paragraph 20(1)(c), the lesser of (i) the interest, paid in the year or payable in respect of the year (depending on the method regularly followed by the Bruce-to-Milton LP in computing its income for the purposes of the Act) under the Bruce-to-Milton Promissory Note in computing its income for the purposes of the Act, or (ii) a reasonable amount in respect thereof.

- F. Provided that the payments made by the Bruce-to-Milton LP to HONI under the Operating Agreement are an outlay or expense made or incurred for the purpose of gaining or producing income from a business or property, paragraph 18(1)(a) will not prevent the deduction of such outlays or expenses made or incurred by the Bruce-to-Milton LP.
- G. As a result of the redemption by Newco of the preferred shares held by HONI described in Paragraph 14n of this letter, Newco will be deemed to have paid a dividend to HONI pursuant to paragraph 84(3)(a), and HONI will be deemed to have received a dividend pursuant to paragraph 84(3)(b) equal to the amount by which the Redemption Value of all the preferred shares of Newco held by HONI exceeds their PUC.

Provided that Newco and HONI are Taxable Canadian Corporations for purposes of the ITA and the Electricity Act, the amount of the dividend deemed to have been paid by Newco and received by HONI as described in this Ruling G will:

- a. be included in HONI's income pursuant to subsection 82(1) and paragraph 12(1)(j);
- b. be deductible in computing HONI's taxable income pursuant to subsection 112(1) in the taxation year in which the dividend is deemed to have been received and for greater certainty, the deduction of such dividend will not be denied by of subsection 112(2.1), (2.2), (2.3) and (2.4);
- c. be excluded from the proceeds of disposition of the redeemed preferred shares that HONI held in Newco pursuant to paragraph (j) of the definition of "proceeds of disposition" in section 54;
- d. by virtue of subsection 112(3), reduce the loss, if any, in respect of the disposition of the preferred shares that HONI held in Newco;
- e. not give rise to tax under Part IV except to the extent that the payer corporation is entitled to a dividend refund for its taxation year in which it paid such dividend; and
- f. not be subject to tax under Part IV.1 or Part VI.1.

- H. Provided that there is no disposition or increase in interest described in any of subparagraphs 55(3)(a)(i) to (v) as part of the series of transactions or events that includes the Proposed Transactions, by virtue of paragraph 55(3)(a), the provisions of subsection 55(2) will not apply to the deemed dividend described in Ruling G and to the dividend described in Paragraph 14(l) of this letter. For greater certainty, the Proposed Transactions, in and themselves, will not be considered to result in any disposition of property or an increase in interest described in subparagraphs 55(3)(a)(i) to (v).

- I. Provided that Newco has a legal obligation to pay interest on the Newco Note Receivable, and to the extent the aggregate of the amount borrowed under the Newco Note Receivable does not exceed the Capital of the Newco preferred shares that are redeemed as described in Paragraph 14(n) of this letter, determined immediately before such redemption, and provided that the capital so redeemed was being used for purposes that would have qualified for interest deductibility, had that capital been borrowed money in computing its income for a taxation year, Newco will be entitled to deduct, pursuant to paragraph 20(1)(c), the lesser of (i) the interest on the amount used to redeem the preferred shares of Newco as described in Paragraph 14(n) of this letter paid in the year or payable in respect of the year (depending on the method regularly followed by Newco in computing its income for the purposes of the Act) or (ii) a reasonable amount in respect thereof.

- J. Based on the CRA's administrative policy concerning certain amounts owing between non-arm's length parties, the Outstanding Promissory Notes will not, in and of themselves, result in the application of paragraph 96(2.2)(c) to reduce the at-risk amount of the HO LPco in respect of its interest in the Bruce-to-Milton LP.

According to this administrative policy, paragraph 96(2.2)(c) generally does not apply to amounts owing by a limited partner (or by a person or partnership not dealing at arm's length with the limited partner) to a partnership (or to a person or partnership not dealing at arm's length with the partnership) to the extent that such amounts arose as a result of legitimate commercial transactions that are unrelated to the acquisition of the limited partner's interest in the partnership and to the extent that the terms of payment conform to normal commercial arrangements comparable to those between parties dealing at arm's length.

- K. Request withdrawn.

- L. Request withdrawn.

Comments

Nothing in this letter should be construed as implying that the Ministry of Finance has confirmed, reviewed or made any determination in respect of:

- a. the determination of the fair market value, adjusted cost base or paid-up capital of any shares or other property referred to herein;
- b. the balance of the capital dividend account, refundable dividend tax on hand account or general rate income pool of any corporation;
- c. any PILs consequences relating to the facts and proposed transactions described herein other than those specifically described in the rulings given above. Without restricting the generality of the foregoing, we are not confirming that any transaction that occurs following the proposed transactions will not be part of the series of transactions or events that include the receipt of the dividends referred to in Ruling H;
- d. any other tax consequences related to the Facts, Proposed Transactions, Purpose of the Proposed Transactions and Additional Assumptions Facts, or subsequent transactions, whether described in this letter or not, other than those specifically described in the rulings given above; or
- e. the characterization as capital or inventory of the assets owned by any of the entities listed herein.

Nothing in this letter should be construed as a confirmation, express or implied, that, for the purpose of any of the rulings given above, any adjustment to the FMV of the properties transferred or the consideration received, whether pursuant to a price adjustment clause or otherwise, will be effective retroactively to the time of the transfer. Furthermore, none of the rulings given in this letter are intended to apply to or in the event of the operation of a price adjustment clause, since such adjustment will be due to circumstances that do not constitute proposed transactions.

Yours truly,



Paul Devnich
Senior Manager
Advisory Services and Program Policy Branch
Ministry of Finance

Ministry of Finance

Advisory and Compliance
Branch

33 King Street West
Oshawa ON L1H 8H5
Tel.: 1 866 668-8297 Ext. 17025
Fax: 905 436-4471

Ministère du Finances

Direction des conseils et de
l'observation fiscale

33, rue King Ouest
Oshawa ON L1H 8H5
Tél. : 1 866 668-8297 poste 17025
Télééc. : 905 436-4471



Ontario

Filed: 2015-03-30

EB-2015-0026

Exhibit C-5-1

Attachment 1-D

Page 1 of 5

Reference: CT13-0203

June 4, 2014

Ms. Kimberley Wharram
Osler, Hoskin & Harcourt LLP
Box 50, 1 First Canadian Place
Toronto, Ontario M5X 1B8

Dear: Ms. Wharram:

Re:

Request for Advance Ruling in respect of payments-in-lieu of federal corporate tax and Ontario corporate tax under the *Electricity Act, 1998* on behalf of Hydro One Inc., Hydro One Networks Inc., the Chippewas of Saugeen First Nation and the Chippewas of Nawash First Nation (collectively, the Taxpayers”).

We refer to your request dated March 17, 2014 for an amendment to our Ruling letter dated October 16, 2013, (the “Ruling”).

Based on the attached Opinion from the Canada Revenue Agency dated May 26, 2014, a copy of which was forwarded to you on June 2, 2014, we confirm that the rulings given in the Ruling will not be affected by the amendments outlined in your request dated March 17, 2014.

Yours truly,

Paul Devnich
Senior Manager

Attachment

c. Giovanna Baragetti, Hydro One Networks Inc.



Mr. Paul Devnich
Ministry of Revenue (Ontario)
Michael Starr Building, 3rd floor
33 King Street West
Oshawa, ON L1H 8H5

2014-052574
François Mathieu/Yves Moreno

May 26, 2014

Dear Mr. Devnich:

Re: Hydro One Inc.

Further to your request for an amendment to our opinion letter dated October 9, 2013, our file number 2013-048987 (the "Opinion"), issued to the Ministry of Revenue (Ontario), the Opinion is amended by:

1. Amending the Definitions section of the Opinion by adding the following definitions while preserving the alphabetical order of the list:

"Class A Units" means Units designated in the Amended Partnership Agreement as Class A Units, the terms of which will be identical to the terms of the Class B Units except that the Class A Units will not be subject to the Mandatory Put;

"Class B Units" means Units designated in the Amended Partnership Agreement as Class B Units, the terms of which will be determined in the Amended Partnership Agreement;

"Consent and Acknowledgement" means a consent and acknowledgement provided by the Hydro One Entities and Holdco (as bare trustee for the Group) to the third party lenders under the Tranche B Debt pursuant to which (i) the Hydro One Entities will acknowledge the security interest of such lenders granted by Holdco (as bare trustee for the Group) in the Class B Units and consent and agree to such lenders being entitled to the benefits of the rights relating to the Mandatory Put under the Amended Partnership Agreement and (ii) the Hydro One Entities, on the one hand, and Holdco (as bare trustee for the Group), on the other hand, agree to complete, or cause to be completed, the transfer of all or a portion the Class B Units under the Mandatory Put if an Enforcement Event occurs;

.../cont'd

“Enforcement Event” means an event, such as an event of default by Holdco (as bare trustee for the Group) under the Tranche B Debt, upon the occurrence of which the lenders under the Tranche B Debt will be entitled to enforce their security interests in the Class B Units and, pursuant to the provisions of the Amended Partnership Agreement and the Consent and Acknowledgement, to require all or a portion of the transfer of the Class B Units pursuant to the Mandatory Put to occur;

“Hydro One Entities” means any one or more of General Partner, Limited Partner, Parentco and one or more subsidiaries of Parentco;

“Mandatory Put” means the provision of the Amended Partnership Agreement that requires Holdco (as bare trustee for the Group) to transfer, and requires General Partner or Limited Partner to acquire, all or a portion of the Class B Units held by Holdco (as bare trustee for the Group) upon the occurrence of an Enforcement Event for a cash purchase price equal to the net book value of the Class B Units at that time;

“Holdco Units” means the Units referred to in Paragraph 36(i);

“Total Debt” means the Tranche A Debt and the Tranche B Debt;

“Tranche A Debt” means indebtedness of Holdco (as bare trustee for the Group) under a loan made by third party lenders to Holdco (as bare trustee for the Group) to fund the acquisition of Class A Units by Holdco (as bare trustee for the Group), which loan will be guaranteed by the Ontario Financing Authority under the Aboriginal Loan Guarantee Program;

“Tranche B Debt” means indebtedness of Holdco (as bare trustee for the Group) under a loan made by third party lenders to Holdco (as bare trustee for the Group) to fund the acquisition of Class B Units by Holdco (as bare trustee for the Group).

2. Amending paragraphs 13 and 14 of the Opinion to reflect that the sale by Parentco of all of its shares in Holdco to the Group occurred after the issuance of the Opinion.
3. Amending paragraph 22 of the Opinion to add the following paragraph:

“At or prior to Closing, the Amended Partnership Agreement will be amended to (i) provide for the designation of each Unit as either a Class A Unit or a Class B Unit, (ii) designate the 999 Units held by General Partner and the 1 Unit held by Limited Partner as Class A Units, and (iii) provide for the Mandatory Put. In addition, the Hydro One Entities and Holdco (as bare trustee for the Group) will

.../cont'd

provide the Consent and Acknowledgement to the third party lenders under the Tranche B Debt.”

4. Amending paragraph 24 of the Opinion to reflect that General Partner’s filing of the application for a transmission licence to operate the Project Assets in respect of which all the conditions have been met occurred after the issuance of the Opinion.
5. Amending paragraphs 28, 31, and 32 of the Opinion so that each reference to “Units” be changed to a reference to “Class A Units”.
6. Amending paragraph 36 of the Opinion so that the reference to “Units” in the third line of that paragraph be changed to “Class A Units and Class B Units” and that the following be added at the end of that paragraph:

“, (iv) the number of Class A Units acquired by Holdco (as bare trustee for the Group) will be equal to the product obtained when the number of Holdco Units is multiplied by a fraction, the numerator of which is the principal amount of the Tranche A Debt and the denominator of which is the aggregate principal amount of the Total Debt, and (v) the number of Class B Units acquired by Holdco (as bare trustee for the Group) will be equal to the product obtained when the number of Holdco Units is multiplied by a fraction, the numerator of which is the principal amount of the Tranche B Debt and the denominator of which is the aggregate principal amount of the Total Debt.”

7. Amending the Opinion to add the following paragraph 50:

“If an Enforcement Event occurs, pursuant to the Mandatory Put, Holdco (as bare trustee for the Group) will transfer, and General Partner and/or Limited Partner will acquire, all or a portion of the Class B Units held by Holdco (as bare trustee for the Group) at that time for a cash purchase price equal to the net book value of the Class B Units at that time.”

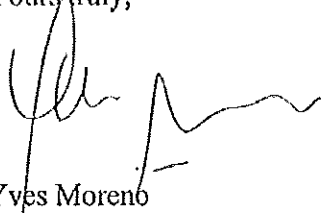
We confirm that the opinions given in the Opinion will not be affected by the above amendments.

Nothing in this letter should be construed as a confirmation, express or implied, that, for the purpose of any of the opinions given above, any adjustment to the FMV of the properties transferred or the consideration received, whether pursuant to a price adjustment clause or otherwise, will be effective retroactively to the time of the transfer. Furthermore, none of the opinions given in this letter are intended to apply to or in the event of the operation of a price adjustment clause, since such adjustment will be due to circumstances that do not constitute proposed transactions. In addition, we are not

.../cont'd

providing any opinions, express or implied, regarding any income tax consequences that may arise as a result of the Enforcement Event occurring or the Mandatory Put being exercised.

Yours truly,

A handwritten signature in black ink, appearing to read 'Yves Moreno', written over a vertical line that serves as a placeholder for a signature.

Yves Moreno
Section Manager
for Division Director
Reorganizations Division
Income Tax Rulings Directorate
Legislative Policy and Regulatory Affairs Branch

B2M LP

Cost of Service
 Historical (2014), and Test (2015, 2016, 2017, 2018 and 2019) Years
 Year Ending December 31
 (\$ Millions)

Line No.	Particulars	2014	2015	2016	2017	2018	2019
		(a)	(b)	(c)	(d)	(e)	(f)
1	Total Operation, Maintenance & Administrative Expenses	7.7	1.8	1.2	1.2	2.5	1.5
2	Depreciation & Amortization Expenses	0.3	6.8	6.8	6.8	6.8	6.8
3	Capital Taxes	0.0	0.0	0.0	0.0	0.0	0.0
4	Income Taxes	0.0	0.4	0.4	0.4	0.9	1.1
5	Total Cost of Service	8.0	9.0	8.4	8.4	10.2	9.4

B2M LP

Depreciation & Amortization Expenses
Historical (2014) and Test (2015 to 2019) Years
Year Ending December 31
(\$ Millions)

Line No.	Particulars	2014		2015		2016		2017		2018		2019	
		Deprn Rate (a)	Provision (\$M) (b)	Deprn Rate (c)	Provision (\$M) (d)	Deprn Rate (e)	Provision (\$M) (f)	Deprn Rate (g)	Provision (\$M) (h)	Deprn Rate (i)	Provision (\$M) (j)	Deprn Rate (k)	Provision (\$M) (l)
<u>Depreciation Expenses</u>													
1	Major Fixed Assets												
2	Towers, Fixtures & Poles	1.27%	0.2	1.27%	3.6	1.27%	3.6	1.27%	3.6	1.27%	3.6	1.27%	3.6
3	OH Conductors & Devices	1.44%	0.1	1.44%	2.1	1.44%	2.1	1.44%	2.1	1.44%	2.1	1.44%	2.1
4	Land Rights	0.96%	0.0	0.96%	1.0	0.96%	1.0	0.96%	1.0	0.96%	1.0	0.96%	1.0
5	Roads & Trails	1.79%	0.0	1.79%	0.2	1.79%	0.2	1.79%	0.2	1.79%	0.2	1.79%	0.2
6	Depreciation on Fixed Assets		<u>0.3</u>		<u>6.8</u>		<u>6.8</u>		<u>6.8</u>		<u>6.8</u>		<u>6.8</u>
7	Less Capitalized Depreciation		0.0		0.0		0.0		0.0		0.0		0.0
8	Asset Removal Costs		0.0		0.0		0.0		0.0		0.0		0.0
9	Total Depreciation Expenses		<u>0.3</u>		<u>6.8</u>		<u>6.8</u>		<u>6.8</u>		<u>6.8</u>		<u>6.8</u>
<u>Amortization Expenses</u>													
10	Other Amortization		0.0		0.0		0.0		0.0		0.0		0.0
11	Total Amortization Expenses		<u>0.0</u>		<u>0.0</u>		<u>0.0</u>		<u>0.0</u>		<u>0.0</u>		<u>0.0</u>
12	Total Depreciation & Amortization Expenses		<u>0.3</u>		<u>6.8</u>		<u>6.8</u>		<u>6.8</u>		<u>6.8</u>		<u>6.8</u>
13	Depreciation & Amortization for recovery		<u>0.3</u>		<u>6.8</u>		<u>6.8</u>		<u>6.8</u>		<u>6.8</u>		<u>6.8</u>

CALCULATION OF UTILITY INCOME TAXES

- 1 Attachment 1: Calculation of Utility Income Taxes Test Years (2015, 2016, 2017, 2018,
2 2019)
- 3 Attachment 2: Calculation of Capital Cost Allowance Test Years (2015, 2016, 2017,
4 2018, 2019)
- 5 Attachment 3: Calculation of Utility Income Taxes (2014)
- 6 Attachment 4: Calculation of Capital Cost Allowance (2014)

B2M LP

Calculation of Utility Income Taxes
Test Years (2015 to 2019)
Year Ending December 31
(\$ Millions)

SUMMARY OF TAX EXPENSE					
	2015	2016	2017	2018	2019
B2M GP Inc	0.4	0.4	0.4	0.9	1.1
Hydro One B2M LP Inc.	0.0	0.0	0.0	0.0	0.0
SON FC	-	-	-	-	-
Total	0.4	0.4	0.4	0.9	1.1

B2M LP

Line No.	Particulars	2015 (a)	2016 (b)	2017 (c)	2018 (d)	2019 (e)
	<u>Determination of Taxable Income</u>					
1	Regulatory Net Income (before tax)	19.8	20.3	20.6	21.0	21.1
2	Book to Tax Adjustments:					
3	Depreciation and amortization	6.8	6.8	6.8	6.8	6.8
4	Capital Cost Allowance	(29.0)	(26.8)	(24.7)	(22.7)	(21.0)
5	Total Adjustments	(22.2)	(20.0)	(17.9)	(15.9)	(14.2)
6	Regulatory Taxable Income/(Loss) before Loss Carry Forward	\$ (2.4)	\$ 0.4	\$ 2.7	\$ 5.1	\$ 7.0
	<u>Allocation of Taxable Income</u>					
7	B2M GP Inc	(1.4)	0.4	2.0	3.7	5.0
8	Hydro One B2M LP Inc.	(0.0)	0.0	0.0	0.0	0.0
9	SON FC	(0.9)	0.0	0.8	1.5	2.0
10	Total	<u>\$ (2.3)</u>	<u>\$ 0.5</u>	<u>\$ 2.8</u>	<u>\$ 5.2</u>	<u>\$ 7.1</u>
	<u>Tax Rates</u>					
11	Federal Tax	15.00 %	15.00 %	15.00 %	15.00 %	15.00 %
12	Provincial Tax	11.50 %	11.50 %	11.50 %	11.50 %	11.50 %
13	Total Tax Rate	<u>26.50 %</u>	<u>26.50 %</u>	<u>26.50 %</u>	<u>26.50 %</u>	<u>26.50 %</u>

B2M GP Inc.

Line No.	Particulars	2015 (a)	2016 (b)	2017 (c)	2018 (d)	2019 (e)
<u>Determination of Income Taxes</u>						
1	Allocation of Taxable Income from B2M LP	(1.4)	0.4	2.0	3.7	5.0
2	Loss Carryforward	1.4	(0.4)	(2.0)	(0.4)	0.0
3	Taxable Income after loss carryforward	0.0	0.0	0.0	3.3	5.0
4	Tax Rate	26.50 %	26.50 %	26.50 %	26.50 %	26.50 %
5	Income Tax Expense	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.9	\$ 1.3
<u>Loss Continuity Schedule</u>						
6	Closing Losses Carryforward	(1.4)	(2.8)	(2.4)	(0.4)	-
7	Losses (Incurred)/Utilized during the year	(1.4)	0.4	2.0	0.4	-
8	Closing Losses Carryforward	(2.8)	(2.4)	(0.4)	-	-
<u>Determination of Corporate Minimum Tax</u>						
9	Allocation of Accounting Income from B2M LP	13.1	13.5	13.7	14.1	14.3
10	Corporate Minimum Tax Rate	2.70 %	2.70 %	2.70 %	2.70 %	2.70 %
11	Corporate Minimum Tax Potentially Applicable	0.4	0.4	0.4	0.4	0.4
12	Ontario Income Tax	0.0	0.0	0.0	0.4	0.6
13	Corporate Minimum Tax Payable	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.0	\$ (0.2)
14	Opening CMT Credit Carryforward	0.0	0.4	0.7	1.1	1.1
15	CMT Credit Incurred/(utilized)	0.4	0.4	0.4	0.0	(0.2)
16	Closing CMT Credit Carryforward	0.4	0.7	1.1	1.1	0.9
17	Total Taxes Expense for B2M GP Inc.	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.9	\$ 1.1

Hydro One B2M LP Inc.

Line No.	Particulars	2015 (a)	2016 (b)	2017 (c)	2018 (d)	2019 (e)
<u>Determination of Income Taxes</u>						
1	Allocation of Taxable Income from B2M LP	(0.002)	0.001	0.003	0.006	0.008
2	Loss Carryforward	0.002	(0.001)	(0.002)	0.000	0.000
3	Taxable Income after loss carryforward	0.000	0.000	0.001	0.006	0.008
4	Tax Rate	26.50 %	26.50 %	26.50 %	26.50 %	26.50 %
5	Sub Total	0.000	0.000	0.000	0.001	0.002
6	Additional Taxes due to Negative ACB	0.003	0.003	0.003	0.002	0.002
7	Income Tax Expense	\$ 0.003	\$ 0.003	\$ 0.003	\$ 0.004	\$ 0.004
<u>Loss Continuity Schedule</u>						
8	Closing Losses Carryforward	0.000	(0.002)	(0.002)	0.000	0.000
9	Losses (Incurred)/Utilized during the year	(0.002)	0.001	0.002	0.000	0.000
10	Closing Losses Carryforward	(0.002)	(0.002)	0.000	0.000	0.000
<u>Determination of Corporate Minimum Tax</u>						
11	Allocation of Accounting Income from B2M LP	0.020	0.021	0.021	0.021	0.022
12	Corporate Minimum Tax Rate	2.70 %	2.70 %	2.70 %	2.70 %	2.70 %
13	Corporate Minimum Tax Potentially Applicable	0.001	0.001	0.001	0.001	0.001
14	Ontario Income Tax	0.001	0.001	0.001	0.002	0.002
15	Corporate Minimum Tax Payable	\$ 0.000	\$ 0.000	\$ 0.000	\$ 0.000	\$ 0.000
16	Total Taxes Expense for Hydro One B2M LP Inc	\$ 0.003	\$ 0.003	\$ 0.003	\$ 0.004	\$ 0.004

SON FC

Line No.	Particulars	2015 (a)	2016 (b)	2017 (c)	2018 (d)	2019 (e)
<u>Determination of Income Taxes</u>						
1	Allocation of Taxable Income from B2M LP	(0.9)	0.0	0.8	1.5	2.0
2	Tax Rate	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
3	Income Tax Expense	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
<u>Determination of Corporate Minimum Tax</u>						
4	Allocation of Accounting Income from B2M LP	6.6	6.8	6.9	6.9	6.8
5	Corporate Minimum Tax Rate	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
6	Corporate Minimum Tax Payable	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
7	Total Taxes Expense for SON FC	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0

B2M LP

Calculation of Capital Cost allowance (CCA)
 Test Years (2015 to 2019)
 Year Ending December 31
 (\$ Millions)

2015	CCA Class	Opening UCC	Net Additions	UCC pre-1/2 yr	50% net additions	UCC for CCA	CCA Rate	CCA	Closing UCC
	1	3.2	0.0	3.2	0.0	3.2	4%	0.1	3.1
	47	301.6	0.0	301.6	0.0	301.6	8%	24.1	277.4
	UCC	304.8	0.0	304.8	0.0	304.8		24.3	280.5
CEC Continuity		68.1	0.0	68.1	0.0	68.1	7%	4.8	63.3
TOTAL CCA AND ECE								29.0	
2016	CCA Class	Opening UCC	Net Additions	UCC pre-1/2 yr	50% net additions	UCC for CCA	CCA Rate	CCA	Closing UCC
	1	3.1	0.0	3.1	0.0	3.1	4%	0.1	2.9
	47	277.4	0.0	277.4	0.0	277.4	8%	22.2	255.2
	UCC	280.5	0.0	280.5	0.0	280.5		22.3	258.2
CEC Continuity		63.3	0.0	63.3	0.0	63.3	0.1	4.4	58.9
TOTAL CCA AND ECE								26.8	
2017	CCA Class	Opening UCC	Net Additions	UCC pre-1/2 yr	50% net additions	UCC for CCA	CCA Rate	CCA	Closing UCC
	1	2.9	0.0	2.9	0.0	2.9	4%	0.1	2.8
	47	255.2	0.0	255.2	0.0	255.2	8%	20.4	234.8
	UCC	258.2	0.0	258.2	0.0	258.2		20.5	237.7
CEC Continuity		58.9	0.0	58.9	0.0	58.9	0.1	4.1	54.8
TOTAL CCA AND ECE								24.7	

2018 CCA Class	<u>Opening UCC</u>	<u>Net Additions</u>	<u>UCC pre-1/2 yr</u>	<u>50% net additions</u>	<u>UCC for CCA</u>	<u>CCA Rate</u>	<u>CCA</u>	<u>Closing UCC</u>
1	2.8	0.0	2.8	0.0	2.8	4%	0.1	2.7
47	234.8	0.0	234.8	0.0	234.8	8%	18.8	216.0
UCC	237.7	0.0	237.7	0.0	237.7		18.9	218.8

CEC Continuity	54.8	0.0	54.8	0.0	54.8	0.1	3.8	50.9
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TOTAL CCA AND ECE 22.7

2019 CCA Class	<u>Opening UCC</u>	<u>Net Additions</u>	<u>UCC pre-1/2 yr</u>	<u>50% net additions</u>	<u>UCC for CCA</u>	<u>CCA Rate</u>	<u>CCA</u>	<u>Closing UCC</u>
1	2.7	0.0	2.7	0.0	2.7	4%	0.1	2.6
47	216.0	0.0	216.0	0.0	216.0	8%	17.3	198.8
UCC	218.8	0.0	218.8	0.0	218.8		17.4	201.4

CEC Continuity	50.9	0.0	50.9	0.0	50.9	0.1	3.6	47.4
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TOTAL CCA AND ECE 21.0

B2MLP
Calculation of Utility income Tax
2014 Historical Year
Year Ending December 31
(\$ Millions)

Tax Expense (Estimates as Tax Return not finalized)		2014	Ownership Percentage
B2M GP Inc		-	65.71%
Hydro One B2M LP Inc.		-	0.10%
SON FC		-	34.19%
Total		-	100%

B2M LP

Line No.	Particulars	2014
	<u>Determination of Taxable Income</u>	
1	Net Income before Tax	(6.96)
2	Book to Tax Adjustments:	
3	Depreciation and amortization	0.29
4	Capital Cost Allowance	(31.48)
5	Non deductible consulting fees	5.60
6	Other	0.08
7	Total Adjustments	<u>(25.52)</u>
8	Taxable Income/(Loss) before Loss Carryforward	<u>(32.48)</u>
9	<u>Allocation of Taxable Income</u>	
10	B2M GP Inc.	(22.06)
11	Hydro One B2M LP Inc.	(0.03)
12	SON FC	<u>(10.39)</u>
13	Total	<u>(32.48)</u>

B2M GP Inc.

Line No.	Particulars	2014
<u>Determination of Income Taxes</u>		
1	Allocation of Taxable Income from B2M LP	(22.06)
2	Loss Carryforward	<u>22.06</u>
3	Taxable Income after loss carryforward	-
4	Tax Rate	<u>26.5%</u>
5	Income Tax Expense	<u>-</u>
 <i>Loss Continuity Schedule</i>		
6	Opening Loss Carryforward	-
7	Losses (Incurred)/Utilized during the year	<u>(22.06)</u>
8	Closing Loss Carryforward	(22.06)
9	Included in Rates	(1.37)
10	Excluded from rates	(20.69) (1)
 <i>Note:</i>		
(1) The loss carryforward related to the capital cost allowance is not to be included in rates. This is because, the capital cost allowance deductions have already been included in the 2014 TX rates through its 2012 rate application.		
 <u>Determination of Corporate Minimum Tax</u>		
11	Corporate Minimum Tax Payable	<u>-</u> (2)
 <i>Note:</i>		
(2) No corporate minimum tax applicable for B2M GP Inc. for 2014 as there is no accounting income		
12	Total Taxes Expense for B2M GP Inc.	<u>-</u>

Hydro One B2M LP Inc

Line No.	Particulars	2014
<u>Determination of Income Taxes</u>		
1	Allocation of Taxable Income from Hydro One B2M LP	(0.034)
2	Loss Carryforward	<u>0.034</u>
3	Taxable Income after loss carryforward	-
4	Tax Rate	<u>26.5%</u>
5	Sub Total	-
6	Additional Taxes due to Negative ACB	<u>-</u>
7	Income Tax Expense	<u>-</u>
 <i>Loss Continuity Schedule</i>		
8	Closing Losses Carryforward	-
9	Losses (Incurred)/Utilized during the year	<u>(0.034)</u>
10	Closing Losses Carryforward	(0.034)
 <u>Determination of Corporate Minimum Tax</u>		
11	Corporate Minimum Tax Payable	<u>-</u> (3)
 <i>Note:</i>		
(3) No corporate minimum tax applicable for Hydro One B2M LP Inc. for 2014 as there is no accounting income		
12	Total Taxes Expense for Hydro One B2M LP Inc.	<u>-</u>

SON FC

Line No.	Particulars	2014
<u>Determination of Income Taxes</u>		
1	Allocation of Taxable Income from Hydro One B2M LP	(10.388)
2	Tax Rate	<u>0.0%</u>
3	Sub Total	-
4	Income Tax Expense	<u>-</u>

B2M LP

Calculation of Capital Cost allowance (CCA)
 Historical Years (2014)
 Year Ending December 31
 (\$ Millions)

2014 CCA Class	Opening UCC	Net Additions	Transfers	UCC pre-1/2 yr	50% net additions	UCC for CCA	CCA Rate	CCA	Closing UCC
1	0.0	0.0	3.3	3.3	0.0	4%	0.0	0.1	3.2
47	0.0	0.04	327.8	327.8	0.02	8%	0.1	26.2	301.6
UCC	0.0	0.04	331.1	331.1	0.02			26.4	304.8
CEC Continuity	0.0	4.1	69.1	73.2	-	7%	0.1	5.1	68.1
TOTAL CCA AND ECE								31.5	

1

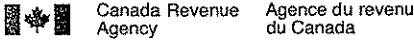
2014 INCOME TAX RETURN

2

3

Attachment 1: Federal and Ontario Income Tax Return





Partnership Financial Return

Protected B when completed

T5013
Financial

Full disclosure is required pertaining to all documents relating to this return. All the information requested in this form and in the documents supporting your information return is "prescribed information". Complete this financial return using the instructions in Guide T4068, *Guide for the Partnership Information Return (T5013 forms)*.

055
For office use only

Note
All legislative references provided on this form (part, section, or subsection) are from the *Income Tax Act (ITA)*.

IDENTIFICATION

Partnership's account number: 001 80820 9530 RZ0001		Is this an amended return? 040 1 Yes <input type="checkbox"/> 2 No <input checked="" type="checkbox"/>											
Partnership's name: 006 B2M Limited Partnership 007		Fiscal period to which this information return applies: Fiscal period start 060 Year Month Day Fiscal period end * 061 Year Month Day From 2014-01-01 to 2014-12-31											
Partnership's operating/trading name: 008 B2M Limited Partnership 009		* If you answer Yes to question 078 below, enter the date when the partnership ceased to exist.											
Location of the partnership's head office Has this location changed since the last time you filed a partnership information return? 010 1 Yes <input type="checkbox"/> 2 No <input checked="" type="checkbox"/> If Yes, enter the address of the new location on lines 011 to 018: 011 012		062 The end members of this partnership are (tick the applicable boxes): 01 <input checked="" type="checkbox"/> Individuals (including trusts) 02 <input checked="" type="checkbox"/> Corporations											
City 015 Province/state 016 Country 017 Postal/Zip code 018		Is this the first year of filing? 070 1 Yes <input type="checkbox"/> 2 No <input checked="" type="checkbox"/> If Yes, enter the date the partnership was created: 071 _____ YYYY / MM / DD											
Mailing address of the partnership (if different from the head office address) Has this address changed since the last time you filed a partnership information return? 020 1 Yes <input type="checkbox"/> 2 No <input checked="" type="checkbox"/> If Yes, enter the new mailing address on lines 021 to 028: 021 c/o 023 024		Number of T5013 slips: 073 3											
City 025 Province/state 026 Country 027 Postal/Zip code 028		Is this the partnership's final information return up to dissolution? 078 1 Yes <input type="checkbox"/> 2 No <input checked="" type="checkbox"/>											
Location of the partnership's books and records (if different from the head office address) Has this location changed since the last time you filed a partnership information return? 030 1 Yes <input type="checkbox"/> 2 No <input checked="" type="checkbox"/> If Yes, enter the address of the new location on lines 031 to 038: 031 032		If an election was made under section 261 by one or more partners, state the functional currency code used for this return: 079											
City 035 Province/state 036 Country 037 Postal/Zip code 038		Is the partnership a resident of Canada? 080 1 Yes <input checked="" type="checkbox"/> 2 No <input type="checkbox"/> If No, indicate the country code of residence on line 081: 081											
		086 Type of partnership at the end of the fiscal period											
		<table border="0"> <tr> <th>Non tax shelter</th> <th>Tax shelter (TS)</th> </tr> <tr> <td>01 <input type="checkbox"/> General partnership</td> <td>11 <input type="checkbox"/> General partnership</td> </tr> <tr> <td>02 <input checked="" type="checkbox"/> Limited partnership</td> <td>12 <input type="checkbox"/> Limited partnership</td> </tr> <tr> <td>03 <input type="checkbox"/> Limited liability partnership</td> <td>13 <input type="checkbox"/> Co-ownership</td> </tr> <tr> <td>08 <input type="checkbox"/> Investment club</td> <td>19 <input type="checkbox"/> Other (specify below)</td> </tr> </table>		Non tax shelter	Tax shelter (TS)	01 <input type="checkbox"/> General partnership	11 <input type="checkbox"/> General partnership	02 <input checked="" type="checkbox"/> Limited partnership	12 <input type="checkbox"/> Limited partnership	03 <input type="checkbox"/> Limited liability partnership	13 <input type="checkbox"/> Co-ownership	08 <input type="checkbox"/> Investment club	19 <input type="checkbox"/> Other (specify below)
Non tax shelter	Tax shelter (TS)												
01 <input type="checkbox"/> General partnership	11 <input type="checkbox"/> General partnership												
02 <input checked="" type="checkbox"/> Limited partnership	12 <input type="checkbox"/> Limited partnership												
03 <input type="checkbox"/> Limited liability partnership	13 <input type="checkbox"/> Co-ownership												
08 <input type="checkbox"/> Investment club	19 <input type="checkbox"/> Other (specify below)												
		If the partnership is a tax shelter (TS), enter the TS identification number: 087 _____											
		Industry code (NAICS): 098 221121											

001 Partnership's account number	061 Fiscal period end
80820 9530 RZ0001	Year Month Day 2014-12-31

Protected B when completed

Documents required to be attached to this T5013 FIN, Partnership Financial Return

1. The T5013 Summary, *Summary of Partnership Income*, and a copy of the T5013, *Statement of Partnership Income*, issued to partners and nominees or agents.
2. The GIFL Schedules **Schedule 100** (T5013 SCH 100), **Schedule 125** (T5013 SCH 125), and, when applicable, **Schedule 140** (T5013 SCH 140), and **Schedule 141** (T5013 SCH 141) which is not required for investment clubs;
3. **Schedule 1** (T5013 SCH 1) and **Schedule 50** (T5013 SCH 50); and if you are an inactive partnership, see line 280 in the guide for more information.
4. Answer all of the following questions. For each **Yes** response, **attach** the schedule and/or form that applies.

				Schedule or form
Does the partnership have any affiliated corporations, partnerships or trusts (defined in section 251.1)?	150	1 Yes <input checked="" type="checkbox"/>	2 No <input type="checkbox"/>	9
Has the partnership had any transactions, including sections 97 and 98, and subsection 85(2) transfers with its members or employees, other than transactions in the ordinary course of business? Exclude non-arm's length transactions with non-residents.	162	1 Yes <input checked="" type="checkbox"/>	2 No <input type="checkbox"/>	T2058, T2059, and/or T2060.
Has the partnership had any non-arm's length transactions with a non-resident?	171	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>	T106
Has the partnership made any charitable donations, gifts to Canada, a province, or a territory, gifts of cultural or ecological property, gifts of medicine, or federal, provincial, territorial or municipal political contributions?	202	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>	2
Does the partnership have a permanent establishment in more than one jurisdiction?	205	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>	5
Has the partnership realized any capital gains or incurred any capital losses during the fiscal period?	206	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>	6
Does the partnership have any property that is eligible for capital cost allowance?	208	1 Yes <input checked="" type="checkbox"/>	2 No <input type="checkbox"/>	8
Does the partnership have any property that is eligible capital property?	210	1 Yes <input checked="" type="checkbox"/>	2 No <input type="checkbox"/>	10
Does the partnership have any resource-related deductions (excluding renounced expenditures)?	212	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>	12
Is the partnership allocating any investment tax credits (ITCs)? If Yes, attach a document to this return providing a detailed calculation of the partnership's ITCs and their allocation to one or more partners.	231	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>	Calculation and allocation
Is the partnership allocating any scientific research and experimental development (SR&ED) expenditures?	232	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>	T661
Did the partnership allocate renounced resource expenses to its members?	252	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>	52
Did the partnership own specified foreign property in the fiscal period with a cost amount over \$100,000?	259	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>	T1135

001 Partnership's account number
80820 9530 RZ0001

061 Fiscal period end
Year Month Day
2014-12-31

Protected B when completed

Additional information

- Did the partnership use the international financial reporting standards (IFRS) when it prepared its financial statements? **270** 1 Yes 2 No
- Was an information slip issued to one or more nominees or agents? **271** 1 Yes 2 No
- Does the partnership agreement require that the nominee(s) or agent(s) complete and file any of the documents identified on page 2? **272** 1 Yes 2 No
- Does the partnership have one or more new nominees or agents? **273** 1 Yes 2 No
- Did the partnership allocate any amount of income tax deducted at source? **274** 1 Yes 2 No
- Did the partnership make any other election(s) under the *Income Tax Act* during the fiscal period?
If Yes, attach a copy of each election form to this return. **275** 1 Yes 2 No
- Is this partnership the continuation of one or more predecessor partnerships since its last partnership information return was filed? If Yes, provide the business number(s) of the predecessor partnership(s): **277** 1 Yes 2 No

278

279

- Was the partnership inactive throughout the fiscal period this information return applies to? If your answer is yes, see the guide to verify your filing requirements. **280** 1 Yes 2 No
- Did members of the partnership immigrate to Canada during the fiscal period? **291** 1 Yes 2 No
- Did members of the partnership emigrate from Canada during the fiscal period? **292** 1 Yes 2 No
- If the major business activity is construction, did you have any subcontractors during the fiscal period? **295** 1 Yes 2 No
- Did the partnership report its farming or fishing income using the cash method? **296** 1 Yes 2 No
- Is this a publicly traded partnership? **297** 1 Yes 2 No
- If Yes, did the partnership issue T5008 information slips to report transactions of interests in the partnership? **298** 1 Yes 2 No

Miscellaneous information

- Was an NR4 information return for tax deductions withheld at source filed for the fiscal period?
If Yes, provide the non-resident account number: **302** **301** 1 Yes 2 No
- If Yes to 301, were NR4 slips issued? **303** 1 Yes 2 No
- Is this partnership a specified investment flow-through (SIFT) partnership?
If Yes, enter the taxable non-portfolio earnings for the fiscal period: **304** 1 Yes 2 No
305
- If Yes, enter the tax payable under Part IX.1 for the fiscal period: **306**
- Enter the amount of the late filing penalty from line 307 of Schedule 52. **307**
- Amount of payment enclosed with this return: **308**

001 Partnership's account number 80820 9530 RZ0001	061 Fiscal period end Year Month Day 2014-12-31	Protected B when completed
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Additional information for all partnerships (including tax shelters that are partnerships)

Name and social insurance number of the partner designated under subsection 165(1.15) of the *Income Tax Act*

400 B2M GP INC.	401	402
Last name (print)	First name (print)	Social insurance number

Additional information for tax shelters only


Principal promoter

500	501	502
Last name (print)	First name (print)	Identification number

Certification

I, 950 Penstone	951 Mike	954 Managing Director
Last name (print)	First name (print)	Position or title

certify that the information given on this form is correct and complete. I further certify that the method of calculating income, deductions and credits for this fiscal period is consistent with that of the previous fiscal period except as specifically disclosed in a statement attached to this return.

955 Year Month Day 2015-03-27	 Signature of the authorized partner	956 Telephone number
---	---	-----------------------------

Is the contact person the same as the authorized partner?
If No, complete lines 958 and 959.

957 1 Yes 2 No

958 Selma Yam	959 (416) 345-6827
Name of the contact person (print)	Telephone number

Language of correspondence

Indicate your language of correspondence: **990** 1 English 2 French

Financial Statement Notes Checklist

Protected B when completed

T5013
Schedule 141

Partnership's name B2M Limited Partnership	Partnership's account number 80820 9530 RZ0001	Fiscal period end (YYYY-MM-DD) 2014-12-31	Original <input checked="" type="checkbox"/> Amended <input type="checkbox"/>
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- Complete this schedule from the perspective of the person (referred to in this schedule as the "accountant") who prepared or reported on the financial statements.
- All the information requested in this form and in the documents supporting your information return is "prescribed information".
- For more information, see Guide T4068, *Guide for the Partnership Information Return (T5013 forms)*, and Guide RC4088, *General Index of Financial Information (GIFI)*.
- Attach the original copy of this completed schedule, along with any "Notes to the financial statements" and the auditor's or accountant's report, to Form T5013 FIN, *Partnership Financial Return*.

Part 1 – Information on the accountant who prepared or reported on the financial statements

Does the accountant have a professional designation? **095** 1 Yes 2 No

Is the accountant connected with the partnership? * **097** 1 Yes 2 No

Note: If the accountant does not have a professional designation or is connected with the partnership, you do not have to complete parts 2 and 3 below.
* A person connected with a partnership can be: (i) a member of the partnership who owns more than 10% of the partnership units; (ii) an employee of the partnership; or (iii) a person not dealing at arm's length with the partnership.

Part 2 – Type of involvement with the financial statements

Choose the option that represents the accountant's highest level of involvement: **198**

Completed an auditor's report 1

Completed a review engagement report 2

Conducted a compilation engagement 3

Part 3 – Reservations

If you selected option 1 or option 2 in part 2 above, answer the following question:

Has the accountant expressed a reservation? **099** 1 Yes 2 No

Part 4 – Other information (continued on page 2)

If you have a professional designation and are not the accountant associated with the financial statements in part 1 above, choose one of the following options (tick 1 or 2): **110**

Prepared the information return (financial statements prepared by client) 1

Prepared the information return and the financial information contained therein (financial statements have not been prepared) 2

Were notes to the financial statements prepared? **101** 1 Yes 2 No

If yes, answer the following four questions:

Are subsequent events mentioned in the notes? **104** 1 Yes 2 No

Is re-evaluation of asset information mentioned in the notes? **105** 1 Yes 2 No

Is contingent liability information mentioned in the notes? **106** 1 Yes 2 No

Is information regarding commitments mentioned in the notes? **107** 1 Yes 2 No

Does the partnership have investments in joint ventures? If yes, complete question 109 below **108** 1 Yes 2 No

Are you filing joint venture(s) financial statements? **109** 1 Yes 2 No

Partnership's account number 80820 9530 RZ0001	Fiscal period end (YYYY/MM/DD) 2014-12-31
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Part 4 – Other information (continued)

Impairment and fair value changes

In any of the following assets, was an amount recognized in net income or other comprehensive income as a result of an impairment loss in the fiscal period, a reversal of an impairment loss recognized in a previous fiscal period, or a change in fair value during the fiscal period? **200** 1 Yes 2 No

If yes, enter the amount recognized:

	In net income Increase (decrease)	In other comprehensive income Increase (decrease)
Property, plant and equipment	210	211
Intangible assets	215	216
Investment property	220	
Biological assets	225	
Financial instruments	230	231
Other	235	236

Financial instruments

Did the partnership derecognize any financial instrument(s) during the fiscal period (other than trade receivables)? **250** 1 Yes 2 No

Did the partnership apply hedge accounting during the fiscal period? **255** 1 Yes 2 No

Did the partnership discontinue hedge accounting during the fiscal period? **260** 1 Yes 2 No

Adjustments to opening equity

Was an amount included in the opening balance of retained earnings or equity, in order to correct an error, to recognize a change in accounting policy, or to adopt a new accounting standard in the current fiscal period? **265** 1 Yes 2 No

If yes, you have to maintain a separate reconciliation.

SCHEDULE 100

GENERAL INDEX OF FINANCIAL INFORMATION – GIF1

Form identifier 100

Partnership's name B2M Limited Partnership	Partnership's account number 80820 9530 RZ0001	Fiscal period end Year Month Day 2014-12-31
---	---	---

Assets – lines 1000 to 2599

1060 1,657,000.00	1599 1,657,000.00	1900 526,448,000.00
1901 -289,000.00	2008 526,448,000.00	2009 -289,000.00
2599 527,816,000.00		

Liabilities – lines 2600 to 3499

2629 617,000.00	2700 315,870,000.00	2860 7,643,000.00
2960 70,000.00	3139 324,200,000.00	3499 324,200,000.00

Member equity – lines 3500 to 3650

3590 138,368,000.00	3591 72,211,000.00	3600 -6,963,000.00
3630 203,616,000.00	3650 527,816,000.00	

Retained earnings – lines 3660 to 3849

3680 -6,963,000.00	3849 -6,963,000.00
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SCHEDULE 125

GENERAL INDEX OF FINANCIAL INFORMATION – GIFI

Form identifier 125

Partnership's name B2M Limited Partnership	Partnership's account number 80820 9530 RZ0001	Fiscal period end Year Month Day 2014-12-31
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Description
Sequence number 0003 01

Revenue – lines 8000 to 8299

8000 1,657,000.00	8089 1,657,000.00	8299 1,657,000.00
--------------------------	--------------------------	--------------------------

Cost of sales – lines 8300 to 8519

8519 1,657,000.00

Operating expenses – lines 8520 to 9369

8670 289,000.00	8710 617,000.00	9270 7,714,000.00
9367 8,620,000.00	9368 8,620,000.00	9369 -6,963,000.00

Farming revenue – lines 9370 to 9659

9659 0.00

Farming expenses – lines 9660 to 9899

9898 0.00

Extraordinary items and taxes – lines 9970 to 9999

9970 -6,963,000.00	9999 -6,963,000.00
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Net Income (Loss) for Income Tax Purposes

Protected B when completed

**T5013
Schedule 1**

Partnership's name B2M Limited Partnership	Partnership's account number 80820 9530 RZ0001	Fiscal period end Year Month Day 2014-12-31	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Amended
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- Complete this schedule to reconcile the partnership's net income (loss) reported on the financial statements and its net income (loss) for income tax purposes.
- All the information requested in this form and in the documents supporting your information return is "prescribed information".
- Complete this schedule using the instructions in Guide T4068, *Guide for the Partnership Information Return (T5013 forms)*.
- Report amounts in accordance with whichever applies to your partnership: international financial reporting standards (IFRS) or the accounting standards for private enterprises (ASPE).
- Complete a worksheet to identify the source of all the amounts reported on the T5013 information slips.
- Attach the original copy of this completed schedule to Form T5013 FIN, *Partnership Financial Return*.

Partnership's net income (loss) after other comprehensive income and extraordinary items from the partnership's financial statements (from line 9999 of Schedule 125 or Schedule 140)		500		-6,963,000.00
Add:				
Provision for Part IX.1 specified investment flow through (SIFT) taxes	101			
Amortization/depreciation of tangible assets	104	289,000.00		
Amortization of natural resource assets	105			
Amortization of intangible assets	106			
Recapture of capital cost allowance from Schedule 8	107			
Income recapture inclusion on sale of eligible capital property from Schedule 10	108			
Income or loss for tax purposes from partnerships	109			
Loss in equity of affiliates	110			
Loss on disposal of assets per financial statements	111			
Charitable donations and gifts from Schedule 2	112			
Political contributions from Schedule 2	114			
Current fiscal period's holdbacks	115			
Deferred and prepaid expenses	116			
Depreciation in inventory – end of fiscal period	117			
Scientific research and experimental development (SR&ED) expenditures deducted per financial statements	118			
Capitalized interest and property taxes on vacant land	119			
Non-deductible club dues and fees	120			
Non-deductible meals and entertainment expenses	121			
Non-deductible automobile expenses	122			
Non-deductible life insurance premiums	123			
Non-deductible company pension plans	124			
Reserves from financial statements – balance at the end of the fiscal period	126			
Soft costs on construction and renovation of buildings	127			
Salaries and wages paid to partners deducted on financial statements	150	100,000.00		
Cost of products available for sale that were consumed	151			
Personal expenses of the partners paid by the partnership	152			
Residual income inclusion on sale of eligible capital property from Schedule 10	153			
Dividend rental arrangement compensation payment deductions	154			
Renounced exploration, development and resource property expenses deducted per financial statements from Schedule 52	155			
Certain fines and penalties	156			
Carrying charges	159			
Amount from line 508 on page 2 of this schedule	199	5,602,946.40		
Total (Add lines 101 to 199. Enter this amount on line 501.)		5,991,946.40	501	+ 5,991,946.40
Deduct: Amount from line 511 on page 3 of this schedule			502	- 31,506,709.75
Net income (loss) for income tax purposes – (line 500 plus line 501 minus line 502. Enter this amount on line 015 of Schedule 50.)			503	= -32,477,763.35
Deduct: Net income (loss) for general partners			504	-
Net income (loss) for income tax purposes for limited and non-active partners (line 503 minus line 504)			505	= -32,477,763.35

Partnership's account number 80820 9530 RZ0001
--

Fiscal period end Year Month Day 2014-12-31
--

Protected B when completed

Add:

Accounts payable and accruals for cash basis – closing	201	_____
Accounts receivable and prepaid for cash basis – opening	202	_____
Accrual inventory – opening	203	_____
Accrued dividends – prior fiscal period	204	_____
Book loss on joint ventures or partnerships	205	_____
Capital items expensed	206	_____
Debt issue expense	208	_____
Deemed dividend income	209	_____
Deemed interest on loans to non-residents	210	_____
Deemed interest received	211	_____
Development expenses claimed in current fiscal period	212	_____
Dividend stop-loss adjustment	213	_____
Dividends credited to the investment account	214	_____
Exploration expenses claimed in current fiscal period	215	_____
Financing fees deducted in books	216	_____
Foreign accrual property income	217	_____
Foreign affiliate property income	218	_____
Foreign exchange included in retained earnings	219	_____
Gain on settlement of debt – income inclusion under subsection 80(13)	220	_____
Interest paid on income debentures	221	_____
Limited partnership losses	222	_____
Loss from international banking centres	223	_____
Mandatory inventory adjustment – included in current fiscal period	224	_____
Non-deductible advertising	226	_____
Non-deductible interest	227	_____
Non-deductible legal and accounting fees	228	_____
Optional value of inventory – included in current fiscal period	229	_____
Other expenses from financial statements	230	_____
Recapture of SR&ED expenditures from Form T661	231	_____
Resource amounts deducted	232	_____
Sales tax assessments	234	_____
Write-down of capital property	236	_____
Amounts received in respect of qualifying environmental trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237	_____
Contractors' completion method adjustment: revenue net of costs on contracts under 2 years – previous fiscal period	238	_____
Taxable/Non-deductible other comprehensive income items	239	_____

Total (Add lines 201 to 239. Enter this amount on line 506.) **506** + _____

Other additions:

600 Non Deductible Financing Fees	290	124,809.00
601 Non Deductible Legal Fees	291	5,437,383.00
602 Fees for acquisition of assets	292	38,986.00
603 Computers equipment expensed	293	1,768.40
604	294	

Total (Add lines 290 to 294. Enter this amount on line 507.) **507** + 5,602,946.40

Total (Add lines 506 and 507.) **508** = 5,602,946.40

Enter the amount from line 508 on line 199 on page 1 of this schedule.

Protected B when completed

Partnership's account number
80820 9530 RZ0001

Fiscal period end
Year Month Day
2014-12-31

Deduct:

Accounts payable and accruals for cash basis – opening	300	_____
Accounts receivable and prepaid for cash basis – closing	301	_____
Accrual inventory – closing	302	_____
Accrued dividends – current fiscal period	303	_____
Bad debt	304	_____
Book income of joint venture or partnership	305	_____
Equity in income from affiliates	306	_____
Exempt income under section 81	307	_____
Income from international banking centres	308	_____
Mandatory inventory adjustment – included in prior fiscal period	309	_____
Contributions to a qualifying environmental trust	310	_____
Non-Canadian advertising expenses – broadcasting	311	_____
Non-Canadian advertising expenses – printed materials	312	_____
Optional value of inventory – included in prior fiscal period	313	_____
Other income from financial statements	314	_____
Payments made for allocations in proportion to borrowing and bonus interest payments	315	_____
Contractors' completion method adjustment: revenue net of costs on contracts under 2 years – current fiscal period	316	_____
Non-taxable/Deductible other comprehensive income items	347	_____

Other less common deductions:

700 Deferred Financing Fees	390	24,961.80
701 _____	391	_____
702 _____	392	_____
703 _____	393	_____
704 _____	394	_____

Total (Add lines 300 to 394. Enter this amount on line 509.) 24,961.80 ► **509** + 24,961.80

Other deductions:

Gain on disposal of assets per financial statements	401	_____
Non-taxable dividends under section 83	402	_____
Capital cost allowance from Schedule 8	403	26,357,526.08
Terminal loss from Schedule 8	404	_____
Cumulative eligible capital deduction from Schedule 10	405	5,124,221.87
Foreign non-business tax deduction under subsection 20(12)	407	_____
Prior fiscal period's holdbacks	408	_____
Deferred and prepaid expenses	409	_____
Depreciation in inventory – end of prior fiscal period	410	_____
SR&ED expenditures claimed in the fiscal period from Form T661 (line 460)	411	_____
Reserves from financial statements – balance at the beginning of the fiscal period	414	_____
Patronage dividends	416	_____
Contributions to deferred income plans	417	_____

Total (Add lines 401 to 417. Enter this amount on line 510.) 31,481,747.95 ► **510** + 31,481,747.95

Total (Add lines 509 and 510) **511** = 31,506,709.75

Enter this amount on line 502 on page 1 of this schedule.

Capital Cost Allowance (CCA)
T5013
Schedule 8

Partnership's account number
80820 9530 RZ0001

Partnership's name
B2M Limited Partnership

Partnership's name: B2M Limited Partnership
 Fiscal period end (YYYY/MM/DD): 2014-12-31
 Original Amended

- Complete this schedule to calculate the amount of capital cost allowance (CCA) the partnership is claiming for the fiscal period, and to account for acquisitions and/or dispositions of depreciable property.
- All the information requested in this form and in the documents supporting your information return is "prescribed information".
- Complete this schedule using the instructions in Guide T4068, *Guide for the Partnership Information Return (T5013 forms)*.
- If you do not have enough space to list all the information, use an additional Schedule 8.
- Attach the original copy of this completed schedule to Form T5013 FIN, *Partnership Financial Return*.

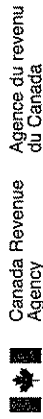
200	201	203	205	207	211	212	213	215	217	220
(1) Class number	(2) Undepreciated capital cost (UCC) at the beginning of the fiscal period (UCC at the end of the previous fiscal period (column (13) of Schedule 8))	(3) Cost of acquisitions during the fiscal period (new property must be available for use)*	(4) Net adjustments (show negative amounts in brackets)**	(5) Proceeds of dispositions during the fiscal period (amount not to exceed the capital cost)	(7) 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column (5))***	(8) Reduced UCC (column (6) minus column (7))	(10) Recapture of CCA	(11) Terminal loss	(12) CCA (column (8) multiplied by column (9), or a lower amount)****	(13) UCC at the end of the fiscal period (column (6) minus column (12))
1		3,326,181.00				3,326,181.00			133,047.24	3,193,133.76
2		327,814,426.00			19,493.00	327,794,933.00			26,223,594.64	301,590,831.36
3		1,768.40			894.20	884.20			894.20	884.20
4										
5										
6										
7										
8										
9										
10		331,142,375.40			20,377.20	331,121,998.20			26,357,526.08	304,784,849.32
Totals										

* Include any property acquired in previous fiscal periods that has now become available for use. This property would have been previously excluded from column (3). List separately any acquisitions that are not subject to the 50% rule; see the *Income Tax Regulations* 1100(2) and (2.2).

** Include amounts applicable to depreciable assets transferred under section 85. See Guide T4068 for examples of adjustments to include in column (4).

*** The net cost of acquisitions is the cost of acquisitions column (3) plus or minus certain adjustments from column (4). For exceptions to the 50% rule, see Interpretation Bulletin IT-285, *Capital Cost Allowance - General Comments*.

**** If the fiscal period is shorter than 365 days, prorate the CCA claim except for some classes. For more information, see Guide T4068.



Canada Revenue
Agency

Affiliated Corporations, Partnerships, Partners, or Trusts

Protected B when completed

T5013

Schedule 9

Partnership's name B2M Limited Partnership	Partnership's account number 80820 9530 RZ0001	Fiscal period end (YYYY/MM/DD) 2014-12-31	Original <input checked="" type="checkbox"/> Amended <input type="checkbox"/>
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Complete this schedule if, during the fiscal period, the partnership was affiliated with any of the following persons as defined in subsections 248(1), and 251.1(1) and (3) of the Income Tax Act:

- a corporation;
- a majority interest partner of the partnership;
- another partnership;
- a trust.
- All the information requested in this form and in the documents supporting your information return is "prescribed information".
- Complete this schedule using the instructions in Guide T4068, *Guide for the Partnership Information Return (T5013 forms)*.
- If you do not have enough space to list all the information, use an additional Schedule 9.
- Attach the original copy of this completed schedule to Form T5013 FIN, *Partnership Financial Return*.

	100	200	300	400	500	600	650	700
	Name of affiliated entity	Country of residence	Business or identification number of affiliated entity	Affiliation code*	Number of common shares, preferred shares, partnership interests, or trust interests owned	Type of equities owned	Percentage (%) of ownership	Book value of equities owned
1.	Hydro One Inc.		869994731	6				
2.	B2M GP INC.		818381840	6	138,368,778	03	65.7086	138,368,778.00
3.	HYDRO ONE B2M LP INC.		818382046	6	210,580	03	0.1000	210,580.00
4.	HYDRO ONE B2M HOLDINGS INC.		822177531	6				
5.	HYDRO ONE NETWORKS INC.		870865821	6				
6.	HYDRO ONE REMOTE COMMUNITIES I		870836269	6				
7.	HYDRO ONE TELECOM INC.		868001066	6				
8.	HYDRO ONE TELECOM LINK LIMITED		887867513	6				
9.	HYDRO ONE BRAMPTON NETWORKS IN		864867635	6				
10.	HYDRO ONE LAKE ERIE LINK MANAG		878921519	6				
11.	HYDRO ONE LAKE ERIE LINK COMPA		875606519	6				
12.	1908872 ONTARIO INC.		825816838	6				

	100	200	300	400	500	600	650	700
	Name of affiliated entity	Country of residence	Business or identification number of affiliated entity	Affiliation code*	Number of common shares, preferred shares, partnership interests, or trust interests owned	Type of equities owned	Percentage (%) of ownership	Book value of equities owned
13.	1908873 ONTARIO INC.		833920978	6				

* Enter the applicable code for each entity identified in column 100 to indicate how it is affiliated with your partnership: 1 – Top tier partnership; 2 – Second tier partnership; 3 – Multi-tier partnership; 6 – Member of a controlling group.

Privacy Act, personal information bank number CRA PPU 047
T5013 SCH 9 E (14)

Approval code: RC-14-P006
Canada

Calculations Relating to Cumulative Eligible Capital

Protected B when completed

T5013

Schedule 10

Partnership's name B2M Limited Partnership	Partnership's account number 80820 9530 RZ0001	Fiscal period end (YYYY/MM/DD) 2014-12-31	Original <input checked="" type="checkbox"/> X Amended <input type="checkbox"/>
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- Complete this schedule if, at any time during the fiscal period, your partnership owned eligible capital property.
- A separate cumulative eligible capital account must be kept for each business operated by the partnership.
- All the information requested in this form and in the documents supporting your information return is "prescribed information".
- Complete this schedule using the instructions in Guide T4068, *Guide for the Partnership Information Return (T5013 forms)*.
- Attach the original copy of each completed Schedule 10 required to Form T5013 FIN, *Partnership Financial Return*.

If you are electing under subsection 14(1.01) or 14(1.02), first complete the election below Part 1, then complete Part 2.

Part 1 – Subsection 14(1.01) or 14(1.02) election for eligible capital property (other than goodwill) disposed of in the fiscal period

Eligible capital property disposed of during the fiscal period (describe): **100** _____

Actual proceeds of disposition (For a subsection 14(1.02) election, attach a schedule showing the calculation.) **101** _____

Eligible capital expenditures (ECE) for the acquisition of the eligible capital property (For a subsection 14(1.02) election, this has to be property that was acquired with pre-1972 outlays or expenditures.) **102** _____

- If the amount on line 101 is greater than the amount on line 102, add the amount from line 102 as proceeds of disposition on line 243 in Part 2 below.
- If the amount on line 102 is greater than the amount on line 101, your partnership cannot elect under subsection 14(1.01) or (1.02) for this property.

Excess (amount from line 101 minus amount from line 102; if result is negative, enter "0") **103** _____
(Enter the amount from line 103 in the partnership's capital gain for the fiscal period on line 982 in Part 11 of Schedule 6.)

If the amount on line 103 is positive and your partnership wants to elect under subsection 14(1.01) or 14(1.02), an authorized partner has to complete the "Election" area below.

Election

I, _____, a member of the partnership authorized to act for the partnership, elect (x)
Name (print)

under subsection 14(1.01) subsection 14(1.02) on behalf of all the members of the partnership to remove the above eligible capital property from the cumulative eligible capital pool and recognize a capital gain in the fiscal period as if the property were an ordinary non-depreciable capital property.

Authorized partner's signature _____ Date (YYYY-MM-DD) _____

Part 2 – Calculation of the current fiscal period's deduction and carryforward

Cumulative eligible capital (CEC) balance at the beginning of the fiscal period:
Enter the ending CEC balance from the previous fiscal period's Schedule 10. If negative, enter "0". **200** _____ A

Add: Cost of eligible capital property acquired during the fiscal period **222** 97,604,226.00 x 3 / 4 = + **73,203,169.50** B

Subtotal (line A plus line B) **230** = **73,203,169.50** C

Deduct: Proceeds of disposition (less outlays and expenses) of eligible capital property during the fiscal period **242** _____ D

Eligible capital expenditures (ECE) from line 102 in Part 1 above to remove the eligible capital property from the CEC pool **243** + _____ E

Forgiven debt obligation designated by the partnership under subsection 80(7) **244** + _____ F

Subtotal (add lines D, E, and F) = _____ x 3 / 4 = **248** _____ G

CEC balance, before calculating the current fiscal period's deduction (line C minus line G) = **73,203,169.50** H

If the amount on line H is negative, enter "0" on line J and proceed to Part 3.

Current fiscal period's CEC deduction: Amount from line H **73,203,169.50** x 7 % * = **250** - **5,124,221.87** I

(Enter the amount from line 250 on line 405 on Schedule 1)

* You can claim any amount up to the maximum deduction of 7%. The deduction may not exceed the maximum amount prorated by the number of days in the fiscal period divided by 365.

CEC balance at the end of the fiscal period (line H minus line I; if negative, enter "0"): **300** = **68,078,947.63** J

Partnership's account number 80820 9530 RZ0001	Fiscal period end (YYYY-MM-DD) 2014-12-31
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Protected B when completed

Part 3 – Calculation of the amounts to be included in income resulting from dispositions

(Complete this part if line H amount in Part 2 is negative)

Paragraph 14(1)(a) – Income recapture inclusion:

Negative amount from line H in Part 2 (show as a positive amount) K

Total CEC deductions claimed for fiscal periods ending after adjustment time **400** 1

Total previous subsection 80(7) forgiven debt obligation reductions **401** + 2

Total CEC deductions claimed for fiscal periods ending before the adjustment time (as defined in subsection 14(5)) **402** 3

Total subsection 14(1) income inclusions for fiscal periods ending before the adjustment time **403** - 4

Line 3 minus line 4 (if negative, enter "0") = + 5

Subtotal (add lines 1, 2, and 5) = 6

Total of all amounts included under subparagraph 14(1)(a)(iv) for fiscal periods that ended before February 28, 2000 7

Total of all amounts included under paragraph 14(1)(a) for fiscal periods that ended after February 27, 2000 + 8

Subtotal (line 7 plus line 8) **409** = - 9

Line 6 minus line 9 (if negative, enter "0") = L

Recapture amount (Enter the amount from line K or line L, whichever is less) **410** M
(Enter the amount from line M on line 108 of Schedule 1)

Paragraph 14(1)(b) – Residual income inclusion:

Negative amount from line H in Part 2 (show as a positive amount) N

Deduct: Amount from line L above O

Amount from line 5 above x 1 / 2 + P

Subtotal (line O plus line P) = Q

Line N minus line Q = R

..... x 2 / 3 S

Residual income inclusion **420** S
(Enter the amount from line S on line 153 of Schedule 1)

Total of amounts from line M and line S T

Part 4 – Calculation of the farming or fishing income eligible for the capital gains deduction

Balance at the beginning of the fiscal period **500** A

All proceeds of disposition for the fiscal period from the disposition of eligible capital property that is qualified farm property (QFP) or qualified fishing property (QXP) **501** B

Deduct: All eligible capital expenditures for the eligible capital property that is QFP or QXP disposed for the fiscal period **502** C

Outlays and expenses, related to the dispositions included on line B above, not deductible in computing income **503** + D

Add lines C and D = E

Line B minus line E (if negative, enter "0") = F

Line F x 1 / 2 = + **505** G

Taxable capital gains for the fiscal period from the disposition of eligible capital property that is QFP or QXP of the business **506** H

Total farming income or fishing income eligible for the capital gains deduction from the disposition of eligible capital property that is QFP or QXP **507** + I

Add lines H and I = **508** J

Ending balance – Line A plus line G minus line J (if negative, enter "0") **510** K

Enter the amount from line S in Part 3 or line K in Part 4, whichever is less **520** L
(Enter each partner's share of the amount from line 520 in box 158 of the T5013 slips.)

Partner's Ownership and Account Activity

Partnership's name: B2M Limited Partnership
 Partnership's account number: 808209530RZ0001
 Fiscal period end Year Month Day: 2014-12-31
 Original Amended

Number of partners	010	5
Number of partners who disposed of all, or part of, their partnership interest	011	2
Number of nominees or agents	012	1
Net income (loss) for income tax purposes	015	-32,447,372.75

- Complete this schedule to reconcile each partner's interest in the partnership (including partners who retired during the fiscal period).
- All the information requested in this form and in the documents supporting your information return is "prescribed information".
- Complete this schedule using the instructions in Guide T4068, *Guide for the Partnership Information Return (T5013 forms)*.
- If you do not have enough space to list all the information, use an additional Schedule 50.
- Attach the original copy of this completed schedule to Form T5013 FIN, *Partnership Financial Return*.

Partner 1	Ownership				Account activity (continued)		Fiscal period's income (loss) allocation for tax purposes	Account activity
	100 Partner's name	101 Partner's identification number	105 Type of partner	106 Partner code	107 Percentage (%) of partner's interest	110 Did the partner dispose of an interest during the fiscal period?		
B2M GP INC	818381840	2	2	55.7086	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	-22,056,045.00	999.00	
						At-risk amount (ARA) (for limited partners only)		
						410	430	
Cost of units acquired during the fiscal period	320	330	340	350	410	420	430	
Partner's share of the previous fiscal period's net income (or loss)	320	330	340	350	410	420	430	
		Capital contributions in the fiscal period	Withdrawals in the fiscal period	Other adjustment	Partner's share of the fiscal period's net income	Partner's share in certain reductions of resource expenses for the fiscal period	Non-arm's length debt owing and/or benefits receivable	
		35,399,430.00						

Partner 2	Ownership				Account activity (continued)		Fiscal period's income (loss) allocation for tax purposes	Account activity
	100 Partner's name	101 Partner's identification number	105 Type of partner	106 Partner code	107 Percentage (%) of partner's interest	110 Did the partner dispose of an interest during the fiscal period?		
HYDRO ONE B2M LP INC	818382046	2	0	0.1000	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	-1.00	1.00	
						At-risk amount (ARA) (for limited partners only)		
						410	430	
Cost of units acquired during the fiscal period	320	330	340	350	410	420	430	
Partner's share of the previous fiscal period's net income (or loss)	320	330	340	350	410	420	430	
		Capital contributions in the fiscal period	Withdrawals in the fiscal period	Other adjustment	Partner's share of the fiscal period's net income	Partner's share in certain reductions of resource expenses for the fiscal period	Non-arm's length debt owing and/or benefits receivable	

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Partner 3	Ownership						Fiscal period's income (loss) allocation for tax purposes	Account activity
	100 Partner's name	101 Partner's identification number	105 Type of partner	106 Partner code	107 Percentage (%) of partner's interest	110 Did the partner dispose of an interest during the fiscal period?		
SON Finance Corp. (trustee)	821,777,333	4	4	34.1914	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	220	300	
Account activity (continued)								
310	320	330	340	350	410	420	430	
Partner's share of the previous fiscal period's net income (or loss)	Capital contributions in the fiscal period	Withdrawals in the fiscal period	Other adjustment	Partner's share of the fiscal period's net income	Partner's share in certain reductions of resource expenses for the fiscal period	Partner's share of the net income (loss)	Non-arm's length debt owing and/or benefits receivable	
	72,000,000.00					-10,391,326.75		
At-risk amount (ARA) (for limited partners only)								
N/A								

Partner 4	Ownership						Fiscal period's income (loss) allocation for tax purposes	Account activity
	100 Partner's name	101 Partner's identification number	105 Type of partner	106 Partner code	107 Percentage (%) of partner's interest	110 Did the partner dispose of an interest during the fiscal period?		
Hydro One Networks Inc.	870865821	2	0		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	220	300	
Account activity (continued)								
310	320	330	340	350	410	420	430	
Partner's share of the previous fiscal period's net income (or loss)	Capital contributions in the fiscal period	Withdrawals in the fiscal period	Other adjustment	Partner's share of the fiscal period's net income	Partner's share in certain reductions of resource expenses for the fiscal period	Partner's share of the net income (loss)	Non-arm's length debt owing and/or benefits receivable	
	103,179,927.00	-103,179,927.00						
At-risk amount (ARA) (for limited partners only)								
N/A								

Partner 5	Ownership						Fiscal period's income (loss) allocation for tax purposes	Account activity
	100 Partner's name	101 Partner's identification number	105 Type of partner	106 Partner code	107 Percentage (%) of partner's interest	110 Did the partner dispose of an interest during the fiscal period?		
HYDRO ONE B2M HOLDINGS INC.	822177531	2	0		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	220	300	
Account activity (continued)								
310	320	330	340	350	410	420	430	
Partner's share of the previous fiscal period's net income (or loss)	Capital contributions in the fiscal period	Withdrawals in the fiscal period	Other adjustment	Partner's share of the fiscal period's net income	Partner's share in certain reductions of resource expenses for the fiscal period	Partner's share of the net income (loss)	Non-arm's length debt owing and/or benefits receivable	
210,580.00		-210,580.00						
At-risk amount (ARA) (for limited partners only)								
N/A								



Summary of Partnership Income

Protected B when completed

T5013 Summary

Complete this summary and related slips using the instructions in Guide T4068, *Guide for the Partnership Information Return (T5013 forms)*. Do not use this area.

For the fiscal period:
 Start End
 YYYY MM DD YYYY MM DD

Partnership's account number

Name of the partnership Postal or ZIP code

Are you a nominee or agent? (tick if yes and provide the following information)

Name of the nominee or agent Postal or ZIP code

Nominee or agent's account number

Is the partnership a tax shelter? (tick if yes) If yes, provide the tax shelter identification number:

Totals from T5013 slips

Total number of T5013 information slips attached:		<input type="text" value="009"/>	<input type="text" value="3"/>
Total limited partner's business income (loss)	010	-10,388,153	00
Total business income (loss)	020	-32,447,371	75
Total capital gains (losses)	030		
Capital cost allowance	040	26,357,526	08

Complete the six generic boxes identified below taken from the T5013 slips

Canadian and foreign net rental income (loss)	110		
Professional income (loss)	120		
Renounced Canadian exploration expenses	190		
Renounced Canadian development expenses	191		
Expenses qualifying for an ITC	194		
Total carrying charges	210		

Person to contact about this return Area code Telephone number Extension

Certification

I certify that the information given on this information return and on related slips is correct and complete.

2015-03-27
Date

Signature of authorized person

Managing Director
Position or office

Prepared by Date



Statement of Partnership Income / État des revenus d'une société de personnes

Filer's name and address - Nom et adresse du déclarant
B2M Limited Partnership
 185 Clegg Road
 Markham ON L6G1B7

Tax shelter identification number (see statement on reverse side *) / Numéro d'inscription de l'abri fiscal (lisez l'énoncé au dos *)

Filer's account number (15 characters) / Numéro de compte du déclarant (15 caractères)
001 808209530RZ0001

Partner code / Code de l'associé: **002 2**
 Country code / Code du pays: **003 CAN**
 Recipient type / Genre de bénéficiaire: **004 3**

Partner's identification number / Numéro d'identification de l'associé
006 818381840

Partner's share (%) of partnership / Part de l'associé (%) dans la société de personnes
005 65.708615

Total limited partner business income (loss) / Revenu (perte) total(e) d'entreprise du commanditaire
010

Total business income (loss) / Revenu (perte) total(e) d'entreprise
020 -22,056,045 00

Total capital gains (losses) / Total des gains (pertes) en capital
030

Capital cost allowance / Déduction pour amortissement
040 17,899,717 00

Partner's name and address - Nom et adresse de l'associé
 Last name (print) - Nom de famille (en lettres moulées): **B2M GP INC**
 First name - Prénom:
 Initials - Initiales:
 185 Clegg Road
 Markham ON L6G 1B7

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant
116		-22,056,045 00			

Box - Case Code Other information - Autres renseignements

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box - Case Code Other information - Autres renseignements

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box - Case Code Other information - Autres renseignements

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box - Case Code Other information - Autres renseignements

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box - Case Code Other information - Autres renseignements

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box - Case Code Other information - Autres renseignements

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box - Case Code Other information - Autres renseignements

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box - Case Code Other information - Autres renseignements

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box - Case Code Other information - Autres renseignements

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box - Case Code Other information - Autres renseignements

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant



Statement of Partnership Income / État des revenus d'une société de personnes

Filer's name and address -- Nom et adresse du déclarant

B2M Limited Partnership
185 Clegg Road
Markham ON L6G1B7

Tax shelter identification number (see statement on reverse side *) / Numéro d'inscription de l'abri fiscal (lisez l'énoncé au dos *)

Partner code / Code de l'associé	Country code / Code du pays	Recipient type / Genre de bénéficiaire
002 0	003 CAN	004 3

Filer's account number (15 characters) / Numéro de compte du déclarant (15 caractères)

001 808209530RZ0001

Total limited partner business income (loss) / Revenu (perte) total(e) d'entreprise du commanditaire

010 -1.00

Total business income (loss) / Revenu (perte) total(e) d'entreprise

020

Partner's identification number / Numéro d'identification de l'associé

006 818382046

Partner's share (%) of partnership / Part de l'associé (%) dans la société de personnes

005 0.100000

Total capital gains (losses) / Total des gains (pertes) en capital

030

Capital cost allowance / Réduction pour amortissement

040 27,241.00

Partner's name and address -- Nom et adresse de l'associé

Last name (print) -- Nom de famille (en lettres moulées) / First name -- Prénom / Initials -- Initiales

HYDRO ONE B2M LP INC
483 BAY STREET
7TH FLOOR SOUTH TOWER
TORONTO ON M5G 2P5

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant
104		-1.00	105		1.00

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant
106		1.00	108		33,565.00

Box - Case	Code	Other information -- Autres renseignements

Box - Case	Code	Other information -- Autres renseignements

Box - Case	Code	Other information -- Autres renseignements

Box - Case	Code	Other information -- Autres renseignements

Box - Case	Code	Other information -- Autres renseignements

Box - Case	Code	Other information -- Autres renseignements

Box - Case	Code	Other information -- Autres renseignements

Box - Case	Code	Other information -- Autres renseignements

Box - Case	Code	Other information -- Autres renseignements

Box - Case	Code	Other information -- Autres renseignements

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

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Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant



2014-12-31

Statement of Partnership Income / État des revenus d'une société de personnes

Filer's name and address - Nom et adresse du déclarant
B2M Limited Partnership
 185 Clegg Road
 Markham ON L6G1B7

Tax shelter identification number (see statement on reverse side *) / Numéro d'inscription de l'abri fiscal (lisez l'énoncé au dos *)

Partner code / Code de l'associé	Country code / Code du pays	Recipient type / Genre de bénéficiaire
002 2	003 CAN	004 3

Filer's account number (15 characters) / Numéro de compte du déclarant (15 caractères)
 001 808209530RZ0001

Total limited partner business income (loss) / Revenu (perte) total(e) d'entreprise du commanditaire
 010

Total business income (loss) / Revenu (perte) total(e) d'entreprise
 020 -22,056,045 00

Partner's identification number / Numéro d'identification de l'associé
 006 818381840

Partner's share (%) of partnership / Part de l'associé (%) dans la société de personnes
 005 65.708615

Total capital gains (losses) / Total des gains (pertes) en capital
 030

Capital cost allowance / Réduction pour amortissement
 040 17,899,717 00

Partner's name and address - Nom et adresse de l'associé
 Last name (print) - Nom de famille (en lettres moulées) First name - Prénom Initials - Initiales
 B2M GP INC
 185 Clegg Road
 Markham ON L6G 1B7

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant
116		-22,056,045 00			

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

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Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

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Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Privacy Act, personal information bank numbers CRA PPU 047 and CRA PPU 005 / Loi sur la protection des renseignements personnels, fichiers de renseignements personnels ARC PPU 047 et ARC PPU 005

For Recipient - Attach to your income tax return 2 / Bénéficiaire - Annexe à votre déclaration d'impôt sur le revenu 2

See recipient instructions / Voir les instructions du bénéficiaire



Statement of Partnership Income / État des revenus d'une société de personnes

Filer's name and address - Nom et adresse du déclarant

B2M Limited Partnership
185 Clegg Road
Markham ON L6G1B7

Tax shelter identification number (see statement on reverse side *) / Numéro d'inscription de l'abri fiscal (lisez l'énoncé au dos *)

Partner code / Code de l'associé	Country code / Code du pays	Recipient type / Genre de bénéficiaire
002 0	003 CAN	004 3

Filer's account number (15 characters) / Numéro de compte du déclarant (15 caractères)

001 808209530RZ0001

Total limited partner business income (loss) / Revenu (perte) total(e) d'entreprise du commanditaire

010 -1.00

Total business income (loss) / Revenu (perte) total(e) d'entreprise

020

Partner's identification number / Numéro d'identification de l'associé

006 818382046

Partner's share (%) of partnership / Part de l'associé (%) dans la société de personnes

005 0.100000

Total capital gains (losses) / Total des gains (pertes) en capital

030

Capital cost allowance / Déduction pour amortissement

040 27,241.00

Partner's name and address - Nom et adresse de l'associé

Last name (print) - Nom de famille (en lettres moulées) / First name - Prénom / Initials - Initiales

HYDRO ONE B2M LP INC

483 BAY STREET
7TH FLOOR SOUTH TOWER
TORONTO ON M5G 2P5

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant
104		-1.00	105		1.00

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant
106		1.00	108		33,565.00

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box Case Code Amount - Montant / Box Case Code Amount - Montant

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Box Case Code Amount - Montant / Box Case Code Amount - Montant

Privacy Act, personal information bank numbers CRA PPU 047 and CRA PPU 005 / Loi sur la protection des renseignements personnels, fichiers de renseignements personnels ARC PPU 047 et ARC PPU 005

For Recipient - Attach to your income tax return 2 / Bénéficiaire - Annexe à votre déclaration d'impôt sur le revenu 2

See recipient instructions / Voir les instructions du bénéficiaire



Statement of Partnership Income / État des revenus d'une société de personnes

Filer's name and address - Nom et adresse du déclarant
 B2M Limited Partnership
 185 Clegg Road
 Markham ON L6G1B7

Tax shelter identification number (see statement on reverse side *) / Numéro d'inscription de l'abri fiscal (lisez l'énoncé au dos *)

Partner code / Code de l'associé: 002 0
 Country code / Code du pays: 003 CAN
 Recipient type / Genre de bénéficiaire: 004 3

Filer's account number (15 characters) / Numéro de compte du déclarant (15 caractères)
 001 808209530RZ0001

Total limited partner business income (loss) / Revenu (perte) total(e) d'entreprise du commanditaire
 010 -1.00

Total business income (loss) / Revenu (perte) total(e) d'entreprise
 020

Partner's identification number / Numéro d'identification de l'associé
 006 818382046

Partner's share (%) of partnership / Part de l'associé (%) dans la société de personnes
 005 0.100000

Total capital gains (losses) / Total des gains (pertes) en capital
 030

Capital cost allowance / Déduction pour amortissement
 040 27,241.00

Partner's name and address - Nom et adresse de l'associé
 Last name (print) - Nom de famille (en lettres moulées) / First name - Prénom / Initials - Initiales
 HYDRO ONE B2M LP INC
 483 BAY STREET
 7TH FLOOR SOUTH TOWER
 TORONTO ON M5G 2P5

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant
104		-1.00	105		1.00

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant
106		1.00	108		33,565.00

Box - Case Code Other information - Autres renseignements

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box - Case Code Other information - Autres renseignements

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box - Case Code Other information - Autres renseignements

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box - Case Code Other information - Autres renseignements

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box - Case Code Other information - Autres renseignements

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box - Case Code Other information - Autres renseignements

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box - Case Code Other information - Autres renseignements

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box - Case Code Other information - Autres renseignements

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box - Case Code Other information - Autres renseignements

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box - Case Code Other information - Autres renseignements

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Privacy Act, personal information bank numbers CRA PPU 047 and CRA PPU 005 / Loi sur la protection des renseignements personnels, fichiers de renseignements personnels ARC PPU 047 et ARC PPU 005

For Recipient - Keep this slip for your records 3 / Bénéficiaire - Conservez pour vos dossiers 3

See recipient instructions / Voir les instructions du bénéficiaire



Statement of Partnership Income / État des revenus d'une société de personnes

Filer's name and address - Nom et adresse du déclarant
B2M Limited Partnership
 185 Clegg Road
 Markham ON L6G1B7

Tax shelter identification number (see statement on reverse side *) / Numéro d'inscription de l'abri fiscal (lisez l'énoncé au dos *)

Filer's account number (15 characters) / Numéro de compte du déclarant (15 caractères)
001 808209530RZ0001

Partner code / Code de l'associé: **002 4**
 Country code / Code du pays: **003 CAN**
 Recipient type / Genre de bénéficiaire: **004 1**

Partner's identification number / Numéro d'identification de l'associé
006 821 777 333

Partner's share (%) of partnership / Part de l'associé (%) dans la société de personnes
005 34.191386

Total limited partner business income (loss) / Revenu (perte) total(e) d'entreprise du commanditaire
010 -10,388,152 00

Total business income (loss) / Revenu (perte) total(e) d'entreprise
020 -10,391,326 75

Total capital gains (losses) / Total des gains (pertes) en capital
030

Capital cost allowance / Réduction pour amortissement
040 8,430,568 08

Partner's name and address - Nom et adresse de l'associé
 Last name (print) - Nom de famille (en lettres moulées): **SON Finance Corp, (trustee)**
 First name - Prénom: **BDO Canada**
 Initials - Initiales:
 663 Berford Street, P.O Box 849
 Warton ON N0H2T0

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant
116		-10,391,326 75			

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

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Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

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Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Privacy Act, personal information bank numbers CRA PPU 047 and CRA PPU 005 / Loi sur la protection des renseignements personnels, fichiers de renseignements personnels ARC PPU 047 et ARC PPU 005

For Recipient - Attach to your income tax return 2 / Bénéficiaire - Annexe à votre déclaration d'impôt sur le revenu 2

See recipient instructions / Voir les instructions du bénéficiaire



2014-12-31

Statement of Partnership Income / État des revenus d'une société de personnes

Filer's name and address -- Nom et adresse du déclarant
B2M Limited Partnership
 185 Clegg Road
 Markham ON L6G1B7

Tax shelter identification number (see statement on reverse side *) / Numéro d'inscription de l'abri fiscal (lisez l'énoncé au dos *)

Partner code / Code de l'associé	Country code / Code du pays	Recipient type / Genre de bénéficiaire
002 2	003 CAN	004 3

Filer's account number (15 characters) / Numéro de compte du déclarant (15 caractères)
 001 808209530RZ0001

Total limited partner business income (loss) / Revenu (perte) total(e) d'entreprise du commanditaire
 010

Total business income (loss) / Revenu (perte) total(e) d'entreprise
 020 -22,056,045 00

Partner's identification number / Numéro d'identification de l'associé
 006 818381840

Partner's share (%) of partnership / Part de l'associé (%) dans la société de personnes
 005 65.708615

Total capital gains (losses) / Total des gains (pertes) en capital
 030

Capital cost allowance / Déduction pour amortissement
 040 17,899,717 00

Partner's name and address -- Nom et adresse de l'associé
 Last name (print) -- Nom de famille (en lettres moulées) First name -- Prénom Initials -- Initiales
 B2M GP INC
 185 Clegg Road
 Markham ON L6G 1B7

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant
116		-22,056,045 00			

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

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Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements



2014-12-31

Statement of Partnership Income / État des revenus d'une société de personnes

Filer's name and address - Nom et adresse du déclarant
 B2M Limited Partnership
 185 Clegg Road
 Markham ON L6G1B7

Tax shelter identification number (see statement on reverse side *) / Numéro d'inscription de l'abri fiscal (lisez l'énoncé au dos *)

Filer's account number (15 characters) / Numéro de compte du déclarant (15 caractères)
 001 808209530RZ0001

Partner code / Code de l'associé: 002 0
 Country code / Code du pays: 003 CAN
 Recipient type / Genre de bénéficiaire: 004 3

Partner's identification number / Numéro d'identification de l'associé
 006 818382046

Partner's share (%) of partnership / Part de l'associé (%) dans la société de personnes
 005 0.100000

Total limited partner business income (loss) / Revenu (perte) total(e) d'entreprise du commanditaire
 010 -1.00

Total business income (loss) / Revenu (perte) total(e) d'entreprise
 020

Total capital gains (losses) / Total des gains (pertes) en capital
 030

Capital cost allowance / Déduction pour amortissement
 040 27,241.00

Partner's name and address - Nom et adresse de l'associé
 Last name (print) - Nom de famille (en lettres moulées) / First name - Prénom / Initials - Initiales
 HYDRO ONE B2M LP INC
 483 BAY STREET
 7TH FLOOR SOUTH TOWER
 TORONTO ON M5G 2P5

Box Case Code Amount - Montant
 104 -1.00
 105 1.00

Box Case Code Amount - Montant
 106 1.00
 108 33,565.00

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box - Case Code Other information - Autres renseignements

Box Case Code Amount - Montant

Box Case Code Amount - Montant

Box Case Code Amount - Montant

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Box Case Code Amount - Montant

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Box Case Code Amount - Montant

Box Case Code Amount - Montant

Box Case Code Amount - Montant

Privacy Act, personal information bank numbers CRA PPU 047 and CRA PPU 005 / Loi sur la protection des renseignements personnels, fichiers de renseignements personnels ARC PPU 047 et ARC PPU 005



2014-12-31

Statement of Partnership Income / État des revenus d'une société de personnes

Filer's name and address - Nom et adresse du déclarant

B2M Limited Partnership
185 Clegg Road
Markham ON L6G1B7

Tax shelter identification number (see statement on reverse side *) / Numéro d'inscription de l'abri fiscal (lisez l'énoncé au dos *)

Partner code / Code de l'associé	Country code / Code du pays	Recipient type / Genre de bénéficiaire
002 4	003 CAN	004 1

Filer's account number (15 characters) / Numéro de compte du déclarant (15 caractères)

001 808209530RZ0001

Total limited partner business income (loss) / Revenu (perte) total(e) d'entreprise en commanditaire

010 -10,388,152.00

Total business income (loss) / Revenu (perte) total(e) d'entreprise

020 -10,391,326.75

Partner's identification number / Numéro d'identification de l'associé

006 821 777 333

Partner's share (%) of partnership / Part de l'associé (%) dans la société de personnes

005 34.191386

Total capital gains (losses) / Total des gains (pertes) en capital

030

Capital cost allowance / Déduction pour amortissement

040 8,430,568.08

Partner's name and address - Nom et adresse de l'associé

Last name (print) - Nom de famille (en lettres moulées) / First name - Prénom / Initials - Initiales

SON Finance Corp. (trustee)

BDO Canada
663 Berford Street, P.O Box 849
Warton ON N0H2T0

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant
116		-10,391,326.75			

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

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Box Case	Code	Amount - Montant	Box Case	Code	Amount - Montant

Box - Case	Code	Other information - Autres renseignements

Box - Case	Code	Other information - Autres renseignements

Box - Case	Code	Other information - Autres renseignements

Box - Case	Code	Other information - Autres renseignements

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Box - Case	Code	Other information - Autres renseignements

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RATE BASE

1. INTRODUCTION

This Exhibit provides the forecast and description of each component of B2M LP's rate base for the 2015 to 2019 test years. The composition of B2M LP's assets is described in Exhibit A, Tab 5, Schedule 1.

The rate base underlying the revenue requirement for the test years includes a forecast of net utility plant, calculated on a mid-year average basis, plus a working capital allowance. Net Plant includes gross plant in-service minus accumulated depreciation. Working capital includes an allowance for cash working capital and materials and supplies inventory.

2. UTILITY RATE BASE

B2M LP's utility rate base for the transmission assets for the test years is filed in Exhibit D2, Tab 1, Schedule 1. The calculation of average balances to derive net utility plant for the historical and test years is provided at Exhibit D2, Tab 2, Schedules 1 and 2.

B2M LP's forecast average rate base for the test years 2015 to 2019 is shown in Table 1.

1
 2
 3

**Table 1:
 Average Transmission Rate Base
 (\$ Millions)**

Description	Historic Year	Test Year				
	2014	2015	2016	2017	2018	2019
Gross Plant						
Transmission Corridor Licence	123.2	123.2	123.2	123.2	123.2	123.2
Towers and Fixtures	281.4	281.4	281.4	281.4	281.4	281.4
Conductors and Devices	143.1	143.1	143.1	143.1	143.1	143.1
Total Gross Plant	547.7	547.7	547.7	547.7	547.7	547.7
Accumulated Depreciation	(21.4)	(24.9)	(31.7)	(38.5)	(45.3)	(52.1)
Net Plant in Service	526.3	522.8	516.0	509.2	502.4	495.6
Working Capital	0.0	0.0	0.0	0.0	0.0	0.0
Total Rate Base	526.3	522.8	516.0	509.2	502.4	495.6

4

5 There are no capital expenditures and thus no in-service additions planned during the test
 6 years. Therefore, the gross plant balance reflects no additions to net plant in-service over
 7 the test years. Further details are included in Exhibit D1, Tab 2, Schedule 1.

8

9 Hydro One commissioned Navigant to perform a Lead Lag study on the working capital
 10 requirements for B2M LP. The study found that the flows substantially offset each other
 11 and as a result the requirement for cash working capital is approximately zero. Details of
 12 the working capital allowance are included in Exhibit D1, Tab 1, Schedule 2.

1

WORKING CAPITAL

2 The working capital requirements of the B2M Limited Partnership are discussed in the
3 report created by Navigant found as Attachment 1 to this exhibit.

4

5 The external expert evidence statement is also included as Attachment 2.

1 **A DETERMINATION OF THE WORKING CAPITAL REQUIREMENTS**

2

3 Attachment 1: Navigant Working Capital Requirements Study of the B2M Limited Partnership

4 Attachment 2: External Expert Evidence Document

To: Hydro One, Incorporated

From: Ralph Zarumba, Andy Tam

Date: September 23, 2013

Re: Working Capital Requirements of the B2M Limited Partnership

Working capital is the amount of funds that are required to finance the day-to-day operations of a regulated utility and are included as part of a rate base for ratemaking purposes. A lead-lag study is the most accurate basis for the determination of working capital and is the accepted methodology of the Ontario Energy Board for Hydro One Networks Inc.'s ("HONI") Distribution and Transmission rate applications.

Navigant was engaged to provide an assessment of the working capital requirements of the Bruce to Milton Limited Partnership ("B2MLP"), a partnership between HONI and the Saugeen-Ojibway Nation ("SON"). This partnership will allow for the transfer of most of the line assets from the Bruce to Milton Transmission Reinforcement Project from Hydro One Transmission to the partnership.

Based upon discussions with HONI staff, the following data regarding the revenues and expenses of the B2MLP can be ascertained:

- Revenues from the IESO will flow directly to the partnership, with the same behaviour as the HONI Transmission revenues;
- Revenues from the IESO are expected to be between \$40M and \$50M per year;
- Expenses of the B2MLP consist largely of those incurred under an Operations and Management ("OM") Agreement between HONI and B2MLP. This agreement will capture close to 100% of the expenses related to the day-to-day operations of the B2MLP;
- OM&A expenses as a result of the OM Agreement are expected to be approximately \$3M per year. B2MLP will be invoiced under the OM Agreement on a monthly basis, however the timing of the invoicing has yet to be determined;
- HONI will also provide non-operating services to B2MLP through a Service Level Agreement ("SLA");
- SLA costs are estimated to be \$250,000 per year, with monthly invoicing schedules similar to the OM Agreement; and,
- The transfer of funds between the B2MLP and HONI will be through journal entries and wire transfers, which allow HONI to receive payments on the same day that B2MLP provides payments.

For the purpose of determining the working capital requirements of the B2MLP, the dollar amounts and the timing of revenues and expenses were analyzed and modeled after the HONI Transmission Working Capital Study. As the invoice scheduling from HONI to B2MLP has yet to be determined, it is Navigant's opinion that the monthly invoice from HONI to B2MLP under the OM Agreement should be synchronized with the timing at which revenues from the IESO are received by the B2MLP; that is, the payment dates from the IESO for any given month of services should coincide with payment dates to HONI from B2MLP. Since the majority of expenses B2MLP incurs are under the OM Agreement, this mechanism will effectively allow for the B2MLP to have a net zero working capital requirement.

Please see attached schedules for an estimation of the described scenario of a net zero working capital requirement for B2MLP. Table 1 shows the working capital requirement calculations, whereas Table 2 and Table 3 show the Revenue Lag and Expense Lead days for the B2MLP respectively. Note that the 'Payment Received From IESO' Dates (F) in Table 2 are synchronized with the 'Payment Dates' (D) in Table 3, which effectively renders a net zero working capital requirement.

Table 1 – Summary of B2MLP Working Capital Requirement

Description	Revenue Lag Days	Expense Lead Days	Net Lag Days	Working Capital Factor	Expenses	Working Capital Requirement
A	B	C	D	E	F	G
OM Agreement	35.63	35.63	0.00	0%	\$3,000,000	\$-
Total					\$3,000,000	\$-
Working Capital as a Percent of OM&A incl. Cost of Power						0.00%

Table 2 – B2MLP IESO Revenues

Month	Period Beginning	Period Ending	Invoice Date	Payment Amount	Payment Received From IESO	Service Lead Time Days	Payment Lead Time Days	Total Lead Time Days	Weighting Factor	Weighted Lead Time
A	B	C	D	E	F	G	H	I	J	K
Jan-14	1/1/2014	1/31/2014	2/14/2014	\$3,666,667	2/21/2014	15.50	21.00	36.50	8.33%	3.04
Feb-14	2/1/2014	2/28/2014	3/14/2014	\$3,666,667	3/20/2014	14.00	20.00	34.00	8.33%	2.83
Mar-14	3/1/2014	3/31/2014	4/17/2014	\$3,666,667	4/23/2014	15.50	23.00	38.50	8.33%	3.21
Apr-14	4/1/2014	4/30/2014	5/14/2014	\$3,666,667	5/18/2014	15.00	18.00	33.00	8.33%	2.75
May-14	5/1/2014	5/31/2014	6/14/2014	\$3,666,667	6/20/2014	15.50	20.00	35.50	8.33%	2.96
Jun-14	6/1/2014	6/30/2014	7/16/2014	\$3,666,667	7/20/2014	15.00	20.00	35.00	8.33%	2.92
Jul-14	7/1/2014	7/31/2014	8/15/2014	\$3,666,667	8/21/2014	15.50	21.00	36.50	8.33%	3.04
Aug-14	8/1/2014	8/31/2014	9/17/2014	\$3,666,667	9/21/2014	15.50	21.00	36.50	8.33%	3.04
Sep-14	9/1/2014	9/30/2014	10/15/2014	\$3,666,667	10/19/2014	15.00	19.00	34.00	8.33%	2.83
Oct-14	10/1/2014	10/31/2014	11/15/2014	\$3,666,667	11/21/2014	15.50	21.00	36.50	8.33%	3.04
Nov-14	11/1/2014	11/30/2014	12/14/2014	\$3,666,667	12/20/2014	15.00	20.00	35.00	8.33%	2.92
Dec-14	12/1/2014	12/31/2014	1/15/2015	\$3,666,667	1/21/2015	15.50	21.00	36.50	8.33%	3.04
Total				\$44,000,000					100.00%	35.63

Table 3 – B2MLP Expenses

Month	Period Beginning	Period Ending	Payment Date	Payment Amount	Service Lead Time	Payment Lead Time	Total Lead Time	Weighting Factor	Weighted Lead Time
A	B	C	D	E	F	G	H	I	J
Jan-14	1/1/2014	1/31/2014	2/21/2014	\$250,000	15.50	21.00	36.50	8.33%	3.04
Feb-14	2/1/2014	2/28/2014	3/20/2014	\$250,000	14.00	20.00	34.00	8.33%	2.83
Mar-14	3/1/2014	3/31/2014	4/23/2014	\$250,000	15.50	23.00	38.50	8.33%	3.21
Apr-14	4/1/2014	4/30/2014	5/18/2014	\$250,000	15.00	18.00	33.00	8.33%	2.75
May-14	5/1/2014	5/31/2014	6/20/2014	\$250,000	15.50	20.00	35.50	8.33%	2.96
Jun-14	6/1/2014	6/30/2014	7/20/2014	\$250,000	15.00	20.00	35.00	8.33%	2.92
Jul-14	7/1/2014	7/31/2014	8/21/2014	\$250,000	15.50	21.00	36.50	8.33%	3.04
Aug-14	8/1/2014	8/31/2014	9/21/2014	\$250,000	15.50	21.00	36.50	8.33%	3.04
Sep-14	9/1/2014	9/30/2014	10/19/2014	\$250,000	15.00	19.00	34.00	8.33%	2.83
Oct-14	10/1/2014	10/31/2014	11/21/2014	\$250,000	15.50	21.00	36.50	8.33%	3.04
Nov-14	11/1/2014	11/30/2014	12/20/2014	\$250,000	15.00	20.00	35.00	8.33%	2.92
Dec-14	12/1/2014	12/31/2014	1/21/2015	\$250,000	15.50	21.00	36.50	8.33%	3.04
Total				\$3,000,000				100.00%	35.63

Template for External Expert Rule 13A Sign Off Document

Note that the consultant may choose to provide a reference to where in the study report the relevant information is provided rather than repeat it in its entirety in the sign off document.

Title of Report:

A Determination of the Working Capital Requirements of the Bruce to Milton Limited Partnership

Consultant:

Ralph Zarumba
Navigant Consulting, Ltd
333 Bay Street, Suite 1250, Toronto, ON, M5H 2R2

Qualifications:

Mr. Zarumba is a Director in Navigant's Energy Practice specializing in regulatory matters. With 30 years of experience performed a variety of regulatory analyses, trained regulatory commission staff, performed revenue requirement analyses, provided cost of service and pricing design studies and has testified as an expert witness in multiple legal jurisdictions in several jurisdictions in North America. Mr. Zarumba holds a BS and MA in Economics.

Instructions Provided:

The instructions provided to the expert in relation to the proceeding and, where applicable, to each issue in the proceeding to which the expert's evidence relates.

- A review of Hydro One's current lead/lag methodology with an update to lead-lag days using more current historical data.
- A comparison of Hydro One's current methodology with best practices of other utilities for computing net cash working capital requirements.
- Substantiation and validation of the financial and lead/lag data used in the study.
- Recommendation and implementation of improvements to the current methodology to meet the future requirements of the Company, its subsidiaries and other stakeholders such as the OEB.
- Preparation of a written report of the study methodology, results for each of Bruce to Milton Limited Partnership recommendations suitable for submission to the OEB to support Hydro One's working capital proposal in its forthcoming Rates proceedings.
- Prepare responses to Interrogatories from Interveners during rate applications relating to the proposed Working Capital methodology.

- Be available to testify to the proposed methodology during future rate applications.
- A final report, reflecting the current Business Plan and covering both the Bruce to Milton Limited Partnership, to be submitted in a Cost of Service application.
- In support of the successful Proponent's work, Hydro One's management will respond to all requests for basic information and/or supporting documentation.

Basis of Evidence:

The specific information upon which the expert's evidence is based, including a description of any factual assumptions made and research conducted, and a list of the documents relied on by the expert in preparing the evidence.

To develop an understanding of Hydro One's operations, interviews with personnel within Accounts Payable, Customer Service, Wholesale Market Operations, Human Resources, Payroll, Treasury, and Tax Departments were conducted. Hydro One subsequently provided sample data for Navigant to base their lead-lag assumptions on. Development of the data set entailed gathering raw data from the utility's General Accounting, Accounts Payable, Customer Service, Payroll, and Tax Systems. Once the raw data had been gathered from the multiple in-house systems, sampling and data validation was performed to the extent necessary and appropriate. Standard statistical sampling techniques were used, and validation generally took the form of comparing actual invoices or bills with data from the utility's systems to ensure accuracy.

Other inputs provided by Hydro One include 2013 and 2014 forecasted OM&A, removal costs, environmental costs, interest expense and tax costs, as well as revenue projections. Included with these forecasts was analysis outlining the amounts of HST that the above cost components attract.

Context of Evidence:

In the case of evidence that is provided in response to another expert's evidence, a summary of the points of agreement and disagreement with the other expert's evidence. If the evidence is provided as per OEB direction to Hydro One in a prior Decision, this should be restated here and it should be confirmed that this evidence was not provided in response to another expert's evidence.

This evidence is not provided in response to another expert's evidence. In 2006, Hydro One Transmission commissioned Navigant Consulting Inc. (Navigant) to carry out a lead-lag study, the results of which were accepted by the Board in its EB-2006-0501 Decision with Reasons, dated August 16, 2007. The accepted methodology has been reviewed and updated by Navigant and accepted by the Board as part of subsequent Transmission and Distribution rate filings EB-2008-0272, EB-2009-0096, EB-2010-0002 and EB-2012-0031. To remain consistent with the Board's approved methodology, a similar review and update process has been done as part of this filing.

Confirmation:

The expert has been made aware of and agrees to accept the responsibilities that are or may be imposed on the expert as set out in Rule 13A.



Name of Expert: Ralph Zarumba
Date: 03/24/2015

1 **SUMMARY OF CAPITAL EXPENDITURES AND IN-SERVICE ADDITIONS**

2 The asset owned by B2M LP is a relatively new vintage. Approximately 90% of the line
3 is less than three years old and the rest is approximately thirty years old. The asset that
4 was constructed is a 500 kV double-circuit lattice tower line which is an extremely
5 durable asset in normal circumstances and therefore, capital spending of a planned nature
6 is not forecast over the five year horizon of this application. As a result, there are no in-
7 service additions forecast in gross plant over the test years.

8

9 Due to the risk of major storm damage or other events requiring capital spending, B2M
10 LP is proposing the creation of a variance account for unplanned capital spending.
11 Details of the variance account request are included at Exhibit F1, Tab 1, Schedule 1.

B2M LP

Statement of Average Utility Rate Base
 Test Years (2015 to 2019)
 Year Ending December 31
 (\$ Millions)

Line No.	Particulars	2014	2015	2016	2017	2018	2019
	<u>Electric Utility Plant</u>						
1	Gross plant at cost	\$ 547.7	\$ 547.7	\$ 547.7	547.7	\$ 547.7	\$ 547.7
2	Less: accumulated depreciation	(21.4)	(24.9)	(31.7)	(38.5)	(45.3)	(52.1)
3	Net plant for rate base	<u>526.3</u>	<u>522.8</u>	<u>516.0</u>	<u>509.2</u>	<u>502.4</u>	<u>495.6</u>
4	Construction work in progress	0.0	0.0	0.0	0.0	0.0	0.0
5	Average net utility plant	\$ <u>526.3</u>	\$ <u>522.8</u>	\$ <u>516.0</u>	\$ <u>509.2</u>	\$ <u>502.4</u>	\$ <u>495.6</u>
	<u>Working Capital</u>						
6	Cash working capital	0.0	0.0	0.0	0.0	0.0	0.0
7	Materials and Supplies Inventory	0.0	0.0	0.0	0.0	0.0	0.0
8	Total working capital	0.0	0.0	0.0	0.0	0.0	0.0
9	Total rate base	\$ <u><u>526.3</u></u>	\$ <u><u>522.8</u></u>	\$ <u><u>516.0</u></u>	\$ <u><u>509.2</u></u>	\$ <u><u>502.4</u></u>	\$ <u><u>495.6</u></u>

B2M LP

Continuity of Property, Plant and Equipment
 Historical (2014) & Test (2015 to 2019) Years
 Year Ending December 31
 Total - Gross Balances
 (\$ Millions)

<u>Line No.</u>	<u>Year</u>	<u>Opening Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Sales</u>	<u>Transfers In/Out</u>	<u>Closing Balance</u>
		(a)	(b)	(c)	(d)	(e)	(f)
1	2014	547.7	0.0	0.0	0.0	0.0	547.7
2	2015	547.7	0.0	0.0	0.0	0.0	547.7
3	2016	547.7	0.0	0.0	0.0	0.0	547.7
4	2017	547.7	0.0	0.0	0.0	0.0	547.7
5	2018	547.7	0.0	0.0	0.0	0.0	547.7
6	2019	547.7	0.0	0.0	0.0	0.0	547.7

B2M LP

Continuity of Property, Plant and Equipment - Accumulated Depreciation
 Historical (2014) & Test (2015 to 2019) Years
 Year Ending December 31
 (\$ Millions)

<u>Line No.</u>	<u>Year</u>	<u>Opening Balance</u>	<u>Provision</u>	<u>Retirements</u>	<u>Sales</u>	<u>Transfers In/Out</u>	<u>Closing Balance</u>	<u>Average</u>
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
<u>Historic</u>								
1	2014	21.3	0.3	0.0	0.0	0.0	21.5	21.4
<u>Test</u>								
2	2015	21.5	6.8	0.0	0.0	0.0	28.3	24.9
3	2016	28.3	6.8	0.0	0.0	0.0	35.1	31.7
4	2017	35.1	6.8	0.0	0.0	0.0	41.9	38.5
5	2018	41.9	6.8	0.0	0.0	0.0	48.7	45.3
6	2019	48.7	6.8	0.0	0.0	0.0	55.5	52.1

B2M LP

Statement of Working Capital
Annual Average
Test Years (2015 to 2019)
(\$ Millions)

Line No.	Particulars	2015 (a)	2016 (b)	2017 (c)	2018 (d)	2019 (e)
1	Cash Working Capital	\$ 0.0	\$ 0.0	0.0	\$ 0.0	0.0
2	Materials and Supplies	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
3	Total	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>0.0</u>	<u>\$ 0.0</u>	<u>0.0</u>

REVENUE REQUIREMENT

1.0 SUMMARY OF REVENUE REQUIREMENT

B2M LP has followed standard regulatory practice in the calculation of revenue requirement as follows:

Table 1
Revenue Requirement
(\$ Millions)

Components	2015	2016	2017	2018	2019	Reference
OM&A	1.8	1.2	1.2	2.5	1.5	Exhibit C1, Tab 2, Schedule 1
Depreciation	6.8	6.8	6.8	6.8	6.8	Exhibit C2, Tab 2, Schedule 1
Income Taxes	0.4	0.4	0.4	0.9	1.1	Exhibit C2, Tab 3, Schedule 1
Cost of Capital	29.8	25.6	26.1	26.1	25.9	Exhibit B1, Tab 1, Schedule 1
Start-Up and Development Costs Recovery*	0.0	1.9	1.9	1.9	1.9	Exhibit E1, Tab 1, Schedule 2
Total Revenue Requirement	38.7	35.9	36.5	38.2	37.3	

*\$7.7 million of Start-Up and Development costs incurred prior to the test years are proposed to be recovered at a rate of \$1.925 million per year between 2016 to 2019.

The resultant revenue requirements for 2015 to 2019 are the amounts required by B2M LP to maintain system reliability needs at the lowest practical cost.

1 **3.0 REVENUE REQUIREMENT – YEAR OVER YEAR COMPARISON**

2
3 Table 2 below compares, the year over year comparisons of the proposed Revenue
4 Requirement by element for all test years.

5
6 **Table 2**
7 **Comparison of Revenue Requirements**
8 **(\$ Millions)**

Components	2016 vs. 2015	2017 vs. 2016	2018 vs. 2017	2019 vs. 2018
OM&A	(0.6)	0.1	1.2	(0.9)
Depreciation	0.0	0.0	0.0	0.0
Income Taxes	0.0	0.0	0.5	0.3
Cost of Capital	(4.2)	0.6	0.0	(0.3)
Start-Up and Development Costs Recovery	1.9	0.0	0.0	0.0
Total Revenue Requirement	(2.9)	0.6	1.7	(0.9)

9
10 **Comparison of Year 2016 to Year 2015**

11
12 The decrease in 2016 revenue requirement is primarily due to a lower debt forecast and
13 lower OM&A requirements, offset partially by the commencement of the incremental
14 recovery of the Start-Up and Development costs.

15
16 **Comparison of Year 2017 to Year 2016**

17
18 The increase in 2017 revenue requirement is driven by the higher short-term debt and
19 equity rate forecast.

1 **Comparison of Year 2018 to Year 2017**

2

3 The increase in 2018 revenue requirement is primarily due to increased OM&A
4 requirements for vegetation management and higher income taxes.

5

6 **Comparison of Year 2019 to Year 2018**

7

8 The decrease in 2019 revenue requirement is primarily due to decreased OM&A
9 requirements following the vegetation management undertaken in 2018.

1 The startup and development costs relate to the following:

2

- 3 • Advice on formulation of the partnership structure;
- 4 • Legal fees to assist in the negotiation and draft the requisite agreements;
- 5 • Tax advice to determine an optimal tax structure and to obtain the tax rulings from
6 federal and provincial tax authorities;
- 7 • Advice and fees to procure partnership financing;
- 8 • Regulatory counsel to represent the applicants before regulatory bodies and provide
9 advice on appropriate corporate setup; and
- 10 • Other administrative support for filings and related matters.

11

12 B2M LP's start-up and development expenses are \$7.7 million, a breakdown of those
13 costs are provided in Table 1 below.

14

Table 1
Total Start-Up and Development Costs
(\$ Million)

15

16

Description	
Legal Costs for SON	4.3
Legal Costs for Hydro One	1.8
Inergi Setup Costs	0.6
Hydro One Initial Costs	1.0
Total Start-up Costs	7.7

17

18 As described in Exhibit E1, Tab1, Schedule 1, B2M LP is proposing to recover these
19 costs over a four year period commencing in 2016 at a rate of \$1.925 million per year in
20 order to minimize the impact to rate payers.

B2M LP

Calculation of Revenue Requirement
 Year Ending December 31
 (\$ Millions)

Line No.	Particulars	Test	Test	Test	Test	Test
		2015 (b)	2016 (c)	2017 (d)	2018 (e)	2019 (f)
	Cost of Service					
1	Operating, maintenance & administrative	\$ 1.8	\$ 1.2	\$ 1.2	\$ 2.5	\$ 1.5
2	Depreciation & amortization	6.8	6.8	6.8	6.8	6.8
3	Income taxes	0.4	0.4	0.4	0.9	1.1
4	Cost of service excluding return	<u>\$ 9.0</u>	<u>\$ 8.4</u>	<u>\$ 8.4</u>	<u>\$ 10.2</u>	<u>\$ 9.4</u>
5	Start-Up and Development Costs Recovery	0.0	1.9	1.9	1.9	1.9
6	Return on capital	29.8	25.6	26.1	26.1	25.9
7	Total revenue requirement	<u><u>\$ 38.7</u></u>	<u><u>\$ 35.9</u></u>	<u><u>\$ 36.5</u></u>	<u><u>\$ 38.2</u></u>	<u><u>\$ 37.3</u></u>

1 **REGULATORY ASSET ACCOUNTS REQUESTED**

2
3 **1.0 INTRODUCTION**

4
5 This Exhibit requests approval to establish three deferral accounts for B2M LP as
6 follows:

- 7
8 • Unplanned Capital Spending Account
9 • Tax Rate Changes Account
10 • 2015 Revenue Requirement Reconciliation Account

11
12 The need for these accounts and the accounting and control process are described in
13 further detail in the remainder of this exhibit.

14
15 **2.0 DESCRIPTION OF REGULATORY ACCOUNTS REQUESTED**

16
17 **2.1 Unplanned Capital Spending Account**

18
19 This account will allow B2M LP to recover the amount of unplanned capital spending
20 that may take place due to unexpected events that are materially impactive to the
21 operation of the Company and which are outside of the Company's control.

22
23 As outlined in Exhibit D1, Tab 2, Schedule 1; B2M LP and its service provider (Hydro
24 One Networks Inc.) expect that the assets will not need capital refurbishment within the
25 2015 to 2019 period given the characteristics and demographics of the assets. However,
26 although rare with 500 kV circuits, unforeseen events may take place that cause the need
27 for material capital spending to take place.

1 Hydro One Transmission plans for such random events and due to the very large portfolio
2 of assets that it manages, Hydro One Transmission is generally able to accommodate
3 such unplanned spending within approved plans. B2M LP, as an owner/operator of a
4 single pair of transmission circuits, does not benefit from such system diversity. Given
5 its spending plan, B2M LP has no opportunity to accommodate material, unplanned
6 spending related to unforeseen events. As a result, B2M LP proposes to collect such
7 costs, should they occur, in a deferral account for disposition and recovery at a future
8 date in accordance with Board direction.

9
10 B2M LP is proposing these material unforeseen events will include such items as:

- 11
- 12 • New government directives or legislation,
 - 13 • Material changes to codes or standards, or
 - 14 • Material unforeseen weather events.
- 15

16 B2M LP submits that an appropriate materiality threshold for these costs is 0.5% of test
17 year revenue requirement; which is in accordance with the materiality thresholds in
18 Chapter 2, Section 2.3.4 of the Board's Filing Requirements for Electricity Transmission
19 Rate Applications.

20

21 **2.2 Tax Rate Changes Account**

22

23 This account will track the tax impact to B2M LP of:

24

- 25 • Differences that result from a legislative or regulatory change to the tax rates or rules
26 compared to costs approved by the Board as part of 2015 to 2019 Transmission Rates;
27 and

- Differences that result from a change in, or a disclosure of, a new assessment or administrative policy that is published in the public tax administration or interpretation bulletins by relevant federal or provincial tax authorities.

2.3 2015 Revenue Requirement Reconciliation Account

In proceeding EB-2014-0330, the OEB issued a Decision for B2M LP on December 11, 2014, approving an Interim rate based on a 2015 total revenue requirement of \$40.6 million. In this application, B2M LP has determined the 2015 revenue requirement to be \$38.7 million.

B2M LP is requesting approval to establish a variance account to record the difference between the final approved 2015 rate, to be determined as a result of this proceeding, and the actual revenues received. This variance is currently calculated to be a surplus of \$1.8 million. B2M LP proposes to dispose of this account through the 2016 UTRs as discussed in Exhibit G1, Tab 2, Schedule 1.

3.0 ACCOUNTING AND CONTROL PROCESS

The accounts requested above will be managed in the similar manner as existing Hydro One Transmission variance and deferral accounts. They will be updated monthly and interest applied to the monthly opening principal balance in this account according to the Board-approved rate. Balances will be reported to the Board as part of the quarterly reporting process. The outstanding balances, whether in a debit or credit position, will be submitted for approval to the Board as part of a future B2M LP filing.

1

COST ALLOCATION AND RATE DESIGN

2

1. COST ALLOCATION

3

All assets associated with B2M LP are classified as Network assets consistent with the cost allocation methodology approved by the Board for Hydro One Networks Transmission in proceeding EB-2012-0031. Accordingly, all of the revenue requirement associated with B2M's transmission assets will be allocated to the Network pool.

7

8

The B2M LP Network revenue requirement for the purpose of setting uniform transmission rates effective on the first day of each test year is \$38.7 million for 2015, \$35.9 million for 2016, \$36.5 million for 2017, \$38.2 million for 2018 and \$37.3 million for 2019 as determined per Exhibit E2, Tab 1, Schedule 1.

10

11

12

13

2. CHARGE DETERMINANTS

14

There are no customer delivery points supplied directly from the B2M LP assets, and as such the B2M LP Network charge determinant for the purpose of setting Uniform Transmission Rates is zero.

15

16

1 **OVERVIEW OF UNIFORM TRANSMISSION SYSTEM RATES**

2
3 **1.0 INTRODUCTION**

4
5 Transmission rates in Ontario have been established on a uniform basis for all transmitters in
6 Ontario since April 30, 2002 as per the Board’s Decision in Proceeding RP-2001-
7 0034/RP-2001-0035/RP-2001-0036/RP-1999-0044. The current Uniform Transmission Rates
8 (UTR) Schedules, which were effective on January 1, 2015 as part of the Board’s Order under
9 EB-2014-0357 issued January 8, 2015, are filed at Exhibit G2, Tab 1, Schedule 1. Exhibit G2,
10 Tab 1, Schedule 2 shows the revenue requirement and charge determinants details used to derive
11 the currently approved 2015 UTRs.

12
13 Since rates are established on a uniform basis, B2M LP’s requested revenue requirement is a
14 contributor to the total revenue requirement to be collected from the provincial UTR. The
15 revenue requirement for all the other transmitters in the province approved to participate in the
16 UTRs must be added to that of B2M LP in order to calculate the total transmission revenue
17 requirement to be collected via the UTR.¹

18
19 The total revenue requirement from all transmitters must be allocated to the Network, Line
20 Connection and Transformation Connection rate pools in order to establish uniform rates by
21 pool. The revenue requirement for B2M LP will be allocated to the Network rate pool, as
22 discussed in Exhibit G1, Tab 1, Schedule 1. The revenue requirement by rate pool for the other
23 transmitters is based on the proportions established by Hydro One Transmission’s Cost
24 Allocation process. Once the revenue requirement by rate pool has been established, rates are
25 determined by applying the Provincial charge determinants for each pool to the total revenue for

¹ The other four transmitters currently included in the UTRs are Hydro One Networks Transmission, Great Lakes Power Transmission Inc., Canadian Niagara Power Inc., and Five Nations Energy Inc.

1 each pool. The Provincial charge determinants are the sum of all charge determinants, by rate
2 pool, approved by the Board for each of the transmitters participating in the UTR.

3
4 B2M LP proposes that the \$1.8 million surplus difference between the actual B2M LP revenue
5 collected in the current 2015 UTR rates approved by the Board on an interim basis of \$40.5
6 million, and the proposed \$38.7 million 2015 revenue requirement as per this application, be
7 included in the 2016 B2M LP revenues to be returned via the 2016 UTRs. This amount would be
8 tracked in the 2015 Revenue Requirement Reconciliation Account described in Exhibit F1, Tab
9 1, Schedule 1. After reflecting the return of the \$1.8 million 2015 surplus, the revenue
10 requirement for purposes of establishing 2016 UTR rates will be \$34.0 million as shown at
11 Exhibit G2, Tab 2, Schedule 2.

12
13 The proposed 2016 Uniform Transmission Rates schedules are provided in Exhibit G2, Tab 2,
14 Schedule 1 and the revenue requirement and charge determinants details used to calculate the
15 2016 UTRs are provided in Exhibit G2, Tab 2, Schedule 2. The proposed 2016 UTR calculation
16 includes the currently approved values for Great Lakes Power Transmission, Canadian Niagara
17 Power and Five Nations Energy.

18
19 **2.0 RATE IMPACTS**

20
21 The changes in the Network pool rates and revenue requirement proposed in this application will
22 have the following minimal impact on the monthly bill for a typical residential customer; \$0.00
23 for 2015, -\$0.04 for 2016, \$0.01 for 2017, \$0.01 for 2018 and -\$0.01 for 2019.

1 **CURRENT 2015 UNIFORM TRANSMISSION RATE SCHEDULES**

2

2015 ONTARIO UNIFORM TRANSMISSION RATE SCHEDULES

EB-2014-0357

The rate schedules contained herein shall be effective January 1, 2015

Issued: January 8, 2015
Ontario Energy Board

3

TRANSMISSION RATE SCHEDULES

TERMS AND CONDITIONS

(A) APPLICABILITY The rate schedules contained herein pertain to the transmission service applicable to:
 •The provision of Provincial Transmission Service (PTS) to the Transmission Customers who are defined as the entities that withdraw electricity directly from the transmission system in the province of Ontario. •The provision of Export Transmission Service (ETS) to electricity market participants that export electricity to points outside Ontario utilizing the transmission system in the province of Ontario. The Rate Schedule ETS applies to the wholesale market participants who utilize the Export Service in accordance with the Market Rules of the Ontario Electricity Market, referred to hereafter as Market Rules. These rate schedules do not apply to the distribution services provided by any distributors in Ontario, nor to the purchase of energy, hourly uplift, ancillary services or any other charges that may be applicable in electricity markets administered by the Independent Electricity System Operator (IESO) of Ontario.

(B) TRANSMISSION SYSTEM CODE The transmission service provided under these rate schedules is in accordance with the Transmission System Code (Code) issued by the Ontario Energy Board (OEB). The Code sets out the requirements, standards, terms and conditions of the transmitter's obligation to offer to connect to, and maintain the operation of, the transmission system. The Code also sets out the requirements, standards, terms and conditions under which a Transmission Customer may connect to, and remain connected to, the transmission system. The Code stipulates that a transmitter shall connect new customers, and continue to offer transmission services to existing customers, subject to a Connection Agreement between the customer and a transmitter.

(C) TRANSMISSION DELIVERY POINT The Transmission Delivery Point is defined as the transformation station, owned by a transmission company or by the Transmission Customer, which steps down the voltage from above 50 kV to below 50 kV and which connects the customer to the transmission system. The demand registered by two or more meters at any one delivery point shall be aggregated for the purpose of assessing transmission charges at that delivery point if the corresponding distribution feeders from that delivery point, or the plants taking power from that delivery point, are owned by the same entity within the meaning of Ontario's *Business Corporations Act*. The billing demand supplied from the transmission system shall be adjusted for losses, as appropriate, to the Transmission Point of Settlement, which shall be the high voltage side of the transformer that steps down the voltage from above 50 kV to below 50 kV.

(D) TRANSMISSION SERVICE POOLS The transmission facilities owned by the licenced transmission companies are categorized into three functional pools. The transmission lines that are used for the common benefit of all customers are categorized as Network Lines and the corresponding terminating facilities are Network Stations. These facilities make up the Network Pool. The transformation station facilities that step down the voltage from above 50 kV to below 50 kV are categorized as the Transformation Connection Pool. Other electrical facilities (i.e. that are neither Network nor Transformation) are categorized as the Line Connection Pool. All PTS customers incur charges based on the Network Service Rate (PTS-N) of Rate Schedule PTS.

EFFECTIVE DATE: January 1, 2015	BOARD ORDER: EB-2014-0357	REPLACING BOARD ORDER: EB-2012-0031 January 9, 2014	Page 2 of 6 Ontario Uniform Transmission Rate Schedule
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TRANSMISSION RATE SCHEDULES

<p>The PTS customers that utilize transformation connection assets owned by a licenced transmission company also incur charges based on the Transformation Connection Service Rate (PTS-T). The customer demand supplied from a transmission delivery point will not incur transformation connection service charges if a customer fully owns all transformation connection assets associated with that transmission delivery point. The PTS customers that utilize lines owned by a licenced transmission company to connect to Network Station(s) also incur charges based on the Line Connection Service Rate (PTS-L). The customer demand supplied from a transmission delivery point will not incur line connection service charges if a customer fully owns all line connection assets connecting that delivery point to a Network Station. Similarly, the customer demand will not incur line connection service charges for demand at a transmission delivery point located at a Network Station.</p> <p>(E) MARKET RULES The IESO will provide transmission service utilizing the facilities owned by the licenced transmission companies in Ontario in accordance with the Market Rules. The Market Rules and appropriate Market Manuals define the procedures and processes under which the transmission service is provided in real or operating time (on an hourly basis) as well as service billing and settlement processes for transmission service charges based on rate schedules contained herein.</p> <p>(F) METERING REQUIREMENTS In accordance with the Market Rules and the Transmission System Code, the transmission service charges payable by Transmission Customers shall be collected by the IESO. The IESO will utilize Registered Wholesale Meters and a Metering Registry in order to calculate the monthly transmission service charges payable by the Transmission Customers. Every Transmission Customer shall ensure that each metering installation in respect of which the customer has an obligation to pay transmission service charges</p>		<p>arising from the Rate Schedule PTS shall satisfy the Wholesale Metering requirements and associated obligations specified in Chapter 6 of the Market Rules, including the appendices therein, whether or not the subject meter installation is required for settlement purposes in the IESO-administered energy market. A meter installation required for the settlement of charges in the IESO-administered energy market may be used for the settlement of transmission service charges. The Transmission Customer shall provide to the IESO data required to maintain the information for the Registered Wholesale Meters and the Metering Registry pertaining to the metering installations with respect to which the Transmission Customers have an obligation to pay transmission charges in accordance with Rate Schedule PTS. The Metering Registry for metering installations required for the calculation of transmission charges shall be maintained in accordance with Chapter 6 of the Market Rules. The Transmission Customers, or Transmission Customer Agents if designated by the Transmission Customers, associated with each Transmission Delivery Point will be identified as Metered Market Participants within the IESO's Metering Registry. The metering data recorded in the Metering Registry shall be used as the basis for the calculation of transmission charges on the settlement statement for the Transmission Customers identified as the Metered Market Participants for each Transmission Delivery Point. The Metering Registry for metering installations required for calculation of transmission charges shall also indicate whether or not the demand associated with specific Transmission Delivery Point(s) to which a Transmission Customer is connected attracts Line and/or Transformation Connection Service Charges. This information shall be consistent with the Connection Agreement between the Transmission Customer and the licenced Transmission Company that connects the customer to the IESO-Controlled Grid.</p> <p>(G) EMBEDDED GENERATION The Transmission Customers shall ensure conformance of Registered Wholesale Meters in accordance with Chapter 6 of Market Rules, including</p>	
<p>EFFECTIVE DATE: January 1, 2015</p>	<p>BOARD ORDER: EB-2014-0357</p>	<p>REPLACING BOARD ORDER: EB-2012-0031 January 9, 2014</p>	<p>Page 3 of 6 Ontario Uniform Transmission Rate Schedule</p>

TRANSMISSION RATE SCHEDULES

<p>Metering Registry obligations, with respect to metering installations for embedded generation that is located behind the metering installation that measures the net demand taken from the transmission system if (a) the required approvals for such generation are obtained after October 30, 1998; and (b) the generator unit rating is 2 MW or higher for renewable generation and 1 MW or higher for non-renewable generation; and (c) the Transmission Delivery Point through which the generator is connected to the transmission system attracts Line or Transformation Connection Service charges. The term renewable generation refers to a facility that generates electricity from the following sources: wind, solar, Biomass, Bio-oil, Bio-gas, landfill gas, or water. Accordingly, the distributors that are Transmission Customers shall ensure that connection agreements between them and the generators, load customers, and embedded distributors connected to their distribution system have provisions requiring the Transmission Customer to satisfy the requirements for Registered Wholesale Meters and Metering Registry for such embedded generation even if the subject embedded generator(s) do not participate in the IESO-administered energy markets.</p> <p>(H) EMBEDDED CONNECTION POINT In accordance with Chapter 6 of the Market Rules, the IESO may permit a Metered Market Participant, as defined in the Market Rules, to register a metering installation that is located at the embedded connection point for the purpose of recording transactions in the IESO-administered markets. (The Market Rules define an embedded connection point as a point of connection between load or generation facility and distribution system). In special situations, a metering installation at the embedded connection point that is used to settle energy market charges may also be used to settle transmission service charges, if there is no metering installation at the point of connection of a distribution feeder to the Transmission Delivery Point. In above situations: •The Transmission Customer may utilize the metering installation at the embedded connection point, including all embedded generation and load connected to that point, to satisfy the requirements described in Section (F) above provided that</p>		<p>the same metering installation is also used to satisfy the requirement for energy transactions in the IESO-administered market. •The Transmission Customer shall provide the Metering Registry information for the metering installation at the embedded connection point, including all embedded generation and load connected to that point, in accordance with the requirements described in Section (F) above so that the IESO can calculate the monthly transmission service charges payable by the Transmission Customer.</p>	
<p>EFFECTIVE DATE: January 1, 2015</p>	<p>BOARD ORDER: EB-2014-0357</p>	<p>REPLACING BOARD ORDER: EB-2012-0031 January 9, 2014</p>	<p>Page 4 of 6 Ontario Uniform Transmission Rate Schedule</p>

RATE SCHEDULE: PTS	PROVINCIAL TRANSMISSION SERVICE
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APPLICABILITY:

The Provincial Transmission Service (PTS) is applicable to all Transmission Customers in Ontario who own facilities that are directly connected to the transmission system in Ontario and that withdraw electricity from this system.

	<u>Monthly Rate (\$ per kW)</u>
Network Service Rate (PTS-N): \$ Per kW of Network Billing Demand ^{1,2}	3.78
Line Connection Service Rate (PTS-L): \$ Per kW of Line Connection Billing Demand ^{1,3}	0.86
Transformation Connection Service Rate (PTS-T): \$ Per kW of Transformation Connection Billing Demand ^{1,3,4}	2.00

The rates quoted above shall be subject to adjustments with the approval of the Ontario Energy Board.

Notes:

- The demand (MW) for the purpose of this rate schedule is measured as the energy consumed during the clock hour, on a "Per Transmission Delivery Point" basis. The billing demand supplied from the transmission system shall be adjusted for losses, as appropriate, to the Transmission Point of Settlement, which shall be the high voltage side of the transformer that steps down the voltage from above 50 kV to below 50 kV at the Transmission Delivery Point.
- The Network Service Billing Demand is defined as the higher of (a) customer coincident peak demand (MW) in the hour of the month when the total hourly demand of all PTS customers is highest for the month, and (b) 85 % of the customer peak demand in any hour during the peak period 7 AM to 7 PM (local time) on weekdays, excluding the holidays as defined by IESO. The peak period hours will be between 0700 hours to 1900 hours Eastern Standard Time during winter (i.e. during standard time) and 0600 hours to 1800 hours Eastern Standard Time during summer (i.e. during daylight savings time), in conformance with the meter time standard used by the IMO settlement systems.
- The Billing Demand for Line and Transformation Connection Services is defined as the Non-Coincident Peak demand (MW) in any hour of the month. The customer demand in any hour is the sum of (a) the loss-adjusted demand supplied from the transmission system plus (b) the demand that is supplied by embedded generation for which the required government approvals are obtained after October 30, 1998 and which have installed capacity of 2MW or more for renewable generation and 1 MW or higher for non-renewable generation. The term renewable generation refers to a facility that generates electricity from the following sources: wind, solar, Biomass, Bio-oil, Bio-gas, landfill gas, or water. The demand supplied by embedded generation will not be adjusted for losses.
- The Transformation Connection rate includes recovery for OEB approved Low Voltage Switchgear compensation for Toronto Hydro Electric System Limited and Hydro Ottawa Limited.

TERMS AND CONDITIONS OF SERVICE:

The attached Terms and Conditions pertaining to the Transmission Rate Schedules, the relevant provisions of the Transmission System Code, in particular the Connection Agreement as per Appendix 1 of the Transmission System Code, and the Market Rules for the Ontario Electricity Market shall apply, as contemplated therein, to services provided under this Rate Schedule.

EFFECTIVE DATE: January 1, 2015	BOARD ORDER: EB-2014-0357	REPLACING BOARD ORDER: EB-2012-0031 January 9, 2014	Page 5 of 6 Ontario Uniform Transmission Rate Schedule
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RATE SCHEDULE: ETS	EXPORT TRANSMISSION SERVICE
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APPLICABILITY:

The Export Transmission Service is applicable for the use of the transmission system in Ontario to deliver electrical energy to locations external to the Province of Ontario, irrespective of whether this energy is supplied from generating sources within or outside Ontario.

Export Transmission Service Rate (ETS):	<u>Hourly Rate</u> \$1.85 / MWh
--	---

The ETS rate shall be applied to the export transactions in the Interchange Schedule Data as per the Market Rules for Ontario's Electricity Market. The ETS rate shall be subject to adjustments with the approval of the Ontario Energy Board.

TERMS AND CONDITIONS OF SERVICE:

The attached Terms and Conditions pertaining to the Transmission Rate Schedules, the relevant provisions of the Transmission System Code and the Market Rules for the Ontario Electricity Market shall apply, as contemplated therein, to service provided under this Rate Schedule.

EFFECTIVE DATE: January 1, 2015	BOARD ORDER: EB-2014-0357	REPLACING BOARD ORDER: EB-2012-0031 January 9, 2014	Page 6 of 6 Ontario Uniform Transmission Rate Schedule
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1

2015 COST ALLOCATION AND RATE POOL DETAILS

Ontario Uniform Transmission Rates

Uniform Transmission Rates and Revenue Disbursement Allocators
 (for Period January 1, 2015 to December 31, 2015)

Transmitter	Revenue Requirement (\$)			
	Network	Line Connection	Transformation Connection	Total
FNEI	\$3,761,177	\$857,719	\$1,708,192	\$6,327,089
CNPI (interim)	\$2,741,895	\$625,277	\$1,245,271	\$4,612,443
GLPT	\$23,958,268	\$5,463,574	\$10,880,989	\$40,302,831
H1N	\$878,027,045	\$200,230,084	\$398,768,505	\$1,477,025,634
B2MLP (interim)	\$40,550,724	\$0	\$0	\$40,550,724
All Transmitters	\$949,039,110	\$207,176,655	\$412,602,957	\$1,568,818,721

Transmitter	Total Annual Charge Determinants (MW)			
	Network	Line Connection	Transformation Connection	
FNEI	187.120	213.460	76.190	
CNPI	583.420	668.600	668.600	
GLPT	3,489.236	2,725.624	626.252	
H1N	246,888.000	238,332.000	204,816.000	
B2MLP	0.000	0.000	0.000	
All Transmitters	251,147.776	241,939.684	206,187.042	

Transmitter	Uniform Rates and Revenue Allocators			
	Network	Line Connection	Transformation Connection	
Uniform Transmission Rates (\$/kW-Month)	3.78	0.86	2.00	
FNEI Allocation Factor	0.00396	0.00414	0.00414	
CNPI Allocation Factor	0.00289	0.00302	0.00302	
GLPT Allocation Factor	0.02524	0.02637	0.02637	
H1N Allocation Factor	0.92518	0.96647	0.96647	
B2MLP Allocation Factor	0.04273	0.00000	0.00000	
Total of Allocation Factors	1.0000	1.0000	1.0000	

Note 1: FNEI Rates Revenue Requirement and Charge Determinants per Board Decision and Order on EB-2009-0387 dated December 9, 2010.

Note 2: CNPI Rates Revenue Requirement and Charge Determinants per Board Decision on RP-2001-0034 dated December 11, 2001. Set as Interim on December 18, 2014 under EB-2014-0204.

Note 3: GLPT Rates Revenue Requirement and Charge Determinants per Board Decision on Settlement Agreement for EB-2014-0238 Decision and Order dated December 18, 2014.

Note 4: H1N Rates Revenue Requirement per Oral Board Decision on Settlement Agreement for EB-2014-0140 dated December 2, 2014. Rate Order approved January 8, 2015.

Note 5: B2MLP Interim 2015 Revenue Requirement per Exhibit A - Revised in EB-2014-0330 dated December 4, 2014. OEB Interim approval on December 11, 2014.

Note 6: Calculated data in shaded cells.

2

PROPOSED 2016 UNIFORM TRANSMISSION RATE SCHEDULES

Ontario Uniform Transmission Rate
Order, EB-2015-0XXX
January X, 2016
Page 1 of 6

2016 ONTARIO UNIFORM TRANSMISSION RATE SCHEDULES

EB-2015-0XXX

The rate schedules contained herein shall be effective January 1, 2016

Issued: January X, 2016
Ontario Energy Board

TRANSMISSION RATE SCHEDULES

TERMS AND CONDITIONS

(A) APPLICABILITY The rate schedules contained herein pertain to the transmission service applicable to:

- The provision of Provincial Transmission Service (PTS) to the Transmission Customers who are defined as the entities that withdraw electricity directly from the transmission system in the province of Ontario.
- The provision of Export Transmission Service (ETS) to electricity market participants that export electricity to points outside Ontario utilizing the transmission system in the province of Ontario. The Rate Schedule ETS applies to the wholesale market participants who utilize the Export Service in accordance with the Market Rules of the Ontario Electricity Market, referred to hereafter as Market Rules. These rate schedules do not apply to the distribution services provided by any distributors in Ontario, nor to the purchase of energy, hourly uplift, ancillary services or any other charges that may be applicable in electricity markets administered by the Independent Electricity System Operator (IESO) of Ontario.

(B) TRANSMISSION SYSTEM CODE The transmission service provided under these rate schedules is in accordance with the Transmission System Code (Code) issued by the Ontario Energy Board (OEB). The Code sets out the requirements, standards, terms and conditions of the transmitter's obligation to offer to connect to, and maintain the operation of, the transmission system. The Code also sets out the requirements, standards, terms and conditions under which a Transmission Customer may connect to, and remain connected to, the transmission system. The Code stipulates that a transmitter shall connect new customers, and continue to offer transmission services to existing customers, subject to a Connection Agreement between the customer and a transmitter.

(C) TRANSMISSION DELIVERY POINT The Transmission Delivery Point is defined as the transformation station, owned by a transmission company or by the Transmission Customer, which steps down the voltage from above 50 kV to below 50 kV and which connects the customer to the transmission system. The demand registered by two or more meters at any one delivery point shall be aggregated for the purpose of assessing transmission charges at that delivery point if the corresponding distribution feeders from that delivery point, or the plants taking power from that delivery point, are owned by the same entity within the meaning of Ontario's *Business Corporations Act*. The billing demand supplied from the transmission system shall be adjusted for losses, as appropriate, to the Transmission Point of Settlement, which shall be the high voltage side of the transformer that steps down the voltage from above 50 kV to below 50 kV.

(D) TRANSMISSION SERVICE POOLS The transmission facilities owned by the licenced transmission companies are categorized into three functional pools. The transmission lines that are used for the common benefit of all customers are categorized as Network Lines and the corresponding terminating facilities are Network Stations. These facilities make up the Network Pool. The transformation station facilities that step down the voltage from above 50 kV to below 50 kV are categorized as the Transformation Connection Pool. Other electrical facilities (i.e. that are neither Network nor Transformation) are categorized as the Line Connection Pool. All PTS customers incur charges based on the Network Service Rate (PTS-N) of Rate Schedule PTS.

EFFECTIVE DATE:
January 1, 2016

BOARD ORDER:
EB-2015-0XXX

REPLACING BOARD ORDER:
EB-2014-0357
January 8, 2015

Page 2 of 6 Ontario Uniform
Transmission Rate Schedule

TRANSMISSION RATE SCHEDULES

The PTS customers that utilize transformation connection assets owned by a licenced transmission company also incur charges based on the Transformation Connection Service Rate (PTS-T). The customer demand supplied from a transmission delivery point will not incur transformation connection service charges if a customer fully owns all transformation connection assets associated with that transmission delivery point. The PTS customers utilize lines owned by a licenced transmission company to connect to Network Station(s) also incur charges based on the Line Connection Service Rate (PTS-L). The customer demand supplied from a transmission delivery point will not incur line connection service charges if a customer fully owns all line connection assets connecting that delivery point to a Network Station. Similarly, the customer demand will not incur line connection service charges for demand at a transmission delivery point located at a Network Station.

(E) MARKET RULES The IESO will provide transmission service utilizing the facilities owned by the licenced transmission companies in Ontario in accordance with the Market Rules. The Market Rules and appropriate Market Manuals define the procedures and processes under which the transmission service is provided in real or operating time (on an hourly basis) as well as service billing and settlement processes for transmission service charges based on rate schedules contained herein.

(F) METERING REQUIREMENTS In accordance with Market Rules and the Transmission System Code, the transmission service charges payable by Transmission Customers shall be collected by the IESO. The IESO will utilize Registered Wholesale Meters and a Metering Registry in order to calculate the monthly transmission service charges payable by the Transmission Customers. Every Transmission Customer shall ensure that each metering installation in respect of which the customer has an obligation to pay transmission service charges

arising from the Rate Schedule PTS shall satisfy the Wholesale Metering requirements and associated obligations specified in Chapter 6 of the Market Rules, including the appendices therein, whether or not the subject meter installation is required for settlement purposes in the IESO-administered energy market. A meter installation required for the settlement of charges in the IESO-administered that energy market may be used for the settlement of transmission service charges. The Transmission Customer shall provide to the IESO data required to maintain the information for the Registered Wholesale Meters and the Metering Registry pertaining to the metering installations with respect to which the Transmission Customers have an obligation to pay transmission charges in accordance with Rate Schedule PTS. The Metering Registry for metering installations required for the calculation of transmission charges shall be maintained in accordance with Chapter 6 of the Market Rules. The Transmission Customers, or Transmission Customer Agents if designated by the Transmission Customers, associated with each Transmission Delivery Point will be identified as Metered Market Participants within the IESO's Metering Registry. The metering data recorded in the Metering Registry shall be used as the basis for the calculation of transmission charges on the settlement statement for the Transmission Customers identified as the Metered Market Participants for each Transmission Delivery Point. The Metering Registry for metering installations required for calculation of transmission charges shall also indicate whether or not the demand associated with specific Transmission Delivery Point(s) to which a Transmission Customer is connected attracts Line and/or Transformation Connection Service Charges. This information shall be consistent with the Connection Agreement between the Transmission Customer and the licenced Transmission Company that connects the customer to the IESO-Controlled Grid.

(G) EMBEDDED GENERATION The Transmission Customers shall ensure conformance of Registered Wholesale Meters in accordance with Chapter 6 of Market Rules, including

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TRANSMISSION RATE SCHEDULES

Metering Registry obligations, with respect to metering installations for embedded generation that is located behind the metering installation that measures the net demand taken from the transmission system if (a) the required approvals for such generation are obtained after October 30, 1998; and (b) the generator unit rating is 2 MW or higher for renewable generation and 1 MW or higher for non-renewable generation; and (c) the Transmission Delivery Point through which the generator is connected to the transmission system attracts Line or Transformation Connection Service charges. The term renewable generation refers to a facility that generates electricity from the following sources: wind, solar, Biomass, Bio-oil, Bio-gas, landfill gas, or water. Accordingly, the distributors that are Transmission Customers shall ensure that connection agreements between them and the generators, load customers, and embedded distributors connected to their distribution system have provisions requiring the Transmission Customer to satisfy the requirements for Registered Wholesale Meters and Metering Registry for such embedded generation even if the subject embedded generator(s) do not participate in the IESO-administered energy markets.

the same metering installation is also used to satisfy the requirement for energy transactions in the IESO-administered market. •The Transmission Customer shall provide the Metering Registry information for the metering installation at the embedded connection point, including all embedded generation and load connected to that point, in accordance with the requirements described in Section (F) above so that the IESO can calculate the monthly transmission service charges payable by the Transmission Customer.

(H) EMBEDDED CONNECTION POINT In accordance with Chapter 6 of the Market Rules, the IESO may permit a Metered Market Participant, as defined in the Market Rules, to register a metering installation that is located at the embedded connection point for the purpose of recording transactions in the IESO-administered markets. (The Market Rules define an embedded connection point as a point of connection between load or generation facility and distribution system). In special situations, a metering installation at the embedded connection point that is used to settle energy market charges may also be used to settle transmission service charges, if there is no metering installation at the point of connection of a distribution feeder to the Transmission Delivery Point. In above situations: •The Transmission Customer may utilize the metering installation at the embedded connection point, including all embedded generation and load connected to that point, to satisfy the requirements described in Section (F) above provided that

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Transmission Rate Schedule

RATE SCHEDULE: PTS	PROVINCIAL TRANSMISSION SERVICE
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APPLICABILITY:

The Provincial Transmission Service (PTS) is applicable to all Transmission Customers in Ontario who own facilities that are directly connected to the transmission system in Ontario and that withdraw electricity from this system.

	<u>Monthly Rate (\$ per kW)</u>
Network Service Rate (PTS-N): \$ Per kW of Network Billing Demand ^{1,2}	3.75
Line Connection Service Rate (PTS-L): \$ Per kW of Line Connection Billing Demand ^{1,3}	0.89
Transformation Connection Service Rate (PTS-T): \$ Per kW of Transformation Connection Billing Demand ^{1,3,4}	2.07

The rates quoted above shall be subject to adjustments with the approval of the Ontario Energy Board.

Notes:

1 The demand (MW) for the purpose of this rate schedule is measured as the energy consumed during the clock hour, on a "Per Transmission Delivery Point" basis. The billing demand supplied from the transmission system shall be adjusted for losses, as appropriate, to the Transmission Point of Settlement, which shall be the high voltage side of the transformer that steps down the voltage from above 50 kV to below 50 kV at the Transmission Delivery Point.

2. The Network Service Billing Demand is defined as the higher of (a) customer coincident peak demand (MW) in the hour of the month when the total hourly demand of all PTS customers is highest for the month, and (b) 85 % of the customer peak demand in any hour during the peak period 7 AM to 7 PM (local time) on weekdays, excluding the holidays as defined by IESO. The peak period hours will be between 0700 hours to 1900 hours Eastern Standard Time during winter (i.e. during standard time) and 0600 hours to 1800 hours Eastern Standard Time during summer (i.e. during daylight savings time), in conformance with the meter time standard used by the IMO settlement systems.

3. The Billing Demand for Line and Transformation Connection Services is defined as the Non-Coincident Peak demand (MW) in any hour of the month. The customer demand in any hour is the sum of (a) the loss-adjusted demand supplied from the transmission system plus (b) the demand that is supplied by embedded generation for which the required government approvals are obtained after October 30, 1998 and which have installed capacity of 2MW or more for renewable generation and 1 MW or higher for non-renewable generation. The term renewable generation refers to a facility that generates electricity from the following sources: wind, solar, Biomass, Bio-oil, Bio-gas, landfill gas, or water. The demand supplied by embedded generation will not be adjusted for losses.

4. The Transformation Connection rate includes recovery for OEB approved Low Voltage Switchgear compensation for Toronto Hydro Electric System Limited and Hydro Ottawa Limited.

TERMS AND CONDITIONS OF SERVICE:

The attached Terms and Conditions pertaining to the Transmission Rate Schedules, the relevant provisions of the Transmission System Code, in particular the Connection Agreement as per Appendix 1 of the Transmission System Code, and the Market Rules for the Ontario Electricity Market shall apply, as contemplated therein, to services provided under this Rate Schedule.

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RATE SCHEDULE: ETS	EXPORT TRANSMISSION SERVICE
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APPLICABILITY:

The Export Transmission Service is applicable for the use of the transmission system in Ontario to deliver electrical energy to locations external to the Province of Ontario, irrespective of whether this energy is supplied from generating sources within or outside Ontario.

Export Transmission Service Rate (ETS):

Hourly Rate
\$1.85 / MWh

The ETS rate shall be applied to the export transactions in the Interchange Schedule Data as per the Market Rules for Ontario’s Electricity Market. The ETS rate shall be subject to adjustments with the approval of the Ontario Energy Board.

TERMS AND CONDITIONS OF SERVICE:

The attached Terms and Conditions pertaining to the Transmission Rate Schedules, the relevant provisions of the Transmission System Code and the Market Rules for the Ontario Electricity Market shall apply, as contemplated therein, to service provided under this Rate Schedule.

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Proposed 2016 Allocation and Rate Pool Details

Uniform Transmission Rates and Revenue Disbursement Allocators
 (for Period January 1, 2016 to December 31, 2016)

Transmitter	Revenue Requirement (\$)			
	Network	Line Connection	Transformation Connection	Total
FNEI	\$3,702,971	\$880,189	\$1,743,929	\$6,327,089
CNPI	\$2,699,463	\$641,657	\$1,271,323	\$4,612,443
GLPT	\$23,989,943	\$5,702,362	\$11,298,156	\$40,990,460
H1N	\$887,070,038	\$210,854,776	\$417,769,031	\$1,515,693,844
B2MLP	\$34,047,314	\$0	\$0	\$34,047,314
All Transmitters	\$951,509,730	\$218,078,983	\$432,082,438	\$1,601,671,150

Transmitter	Total Annual Charge Determinants (MW)			
	Network	Line Connection	Transformation Connection	
FNEI	187.120	213.460	76.190	
CNPI	583.420	668.600	668.600	
GLPT	3,445.341	2,461.434	455.652	
H1N	249,552.000	241,956.000	207,936.000	
B2MLP	0.000	0.000	0.000	
All Transmitters	253,767.881	245,299.494	209,136.442	

Transmitter	Uniform Rates and Revenue Allocators			
	Network	Line Connection	Transformation Connection	
Uniform Transmission Rates (\$/kW-Month)	3.75	0.89	2.07	
	↓	↓	↓	
FNEI Allocation Factor	0.00389	0.00404	0.00404	
CNPI Allocation Factor	0.00284	0.00294	0.00294	
GLPT Allocation Factor	0.02521	0.02615	0.02615	
H1N Allocation Factor	0.93228	0.96687	0.96687	
B2MLP Allocation Factor	0.03578	0.00000	0.00000	
Total of Allocation Factors	1.00000	1.00000	1.00000	

Note 1: FNEI Rates Revenue Requirement and Charge Determinants per Board Decision and Order on EB-2009-0387 dated December 9, 2010.

Note 2: CNPI Rates Revenue Requirement and Charge Determinants per Board Decision on RP-2001-0034 dated December 11, 2001. Set as Interim on December 18, 2014 under EB-2014-0204.

Note 3: GLPT Rates Revenue Requirement and Charge Determinants per Board Decision on Settlement Agreement for EB-2014-0238 Decision and Order dated December 18, 2014.

Note 4: H1N Rates Revenue Requirement per Board Decision on Settlement Agreement for EB-2014-0140 dated December 4, 2014. Rate Order approved January 8, 2015.

Note 5: B2MLP 2016 Revenue Requirement per Exhibit E2, Tab 1, Schedule 1.

Note 6: Calculated data in shaded cells.